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THE WHITE HOUSE
WASHINGTON



NETA

PLS FILE IN

ELK HILLS LEGISLATION

FILE IF WE HAVE

SUCH A THING?

CHAS.

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COMMITTEES:
ARMED SERVICES
HOUSE ADMINISTRATION
JOINT COMMITTEE ON PRINTING

April 28, 1975

Dear Colleague:

H. R. 49, to be considered by the House on Tuesday, April 29, is a regional special-interest bill. It would remove the Naval Petroleum Reserves from Congressional oversight and place them in the hands of the Department of the Interior. Up to 90% of the revenue generated under H.R. 49 would accrue only to the seventeen Western States, and the other 10% would go to the Treasury of the United States. For the East, H.R. 49 is an empty bag.

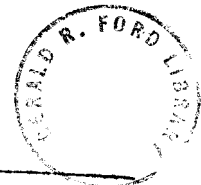
The Naval Petroleum Reserves were set aside to assure a stockpile of oil for the defense needs of the entire United States, not just California. The last time the Interior Department controlled the Reserves, the result was the Teapot Dome scandal, so jurisdiction was promptly transferred to the Department of the Navy in 1927. H. R. 49 would now remove all jurisdiction of the Reserves from the Department of the Navy, and transfer it back to the Department of the Interior, whereupon they would be opened for commercial exploitation, with utter disregard for possible emergency defense requirements. H.R. 49 is a boon for the Western States, especially California, and a possible windfall for the big oil interests.

On the other hand, the Committee on Armed Services proposed substitute amendments in the language of H.R. 5919, providing for the orderly development of the Reserves (maintaining Congressional oversight), with a maximum production of 200,000 barrels a day for three years and with all proceeds accruing to the United States Treasury for equitable distribution among all States, including the East, Northeast, South and West, alike. This orderly development, under Congressional supervision, is a sensible and responsible alternative to turning over jurisdiction lock, stock and barrel, to the Interior Department for exploitation.

I urge your support of the Armed Services Committee amendments, as H.R. 5919, and your opposition to H.R. 49, as proposed by the Interior Committee.

Sincerely yours,

William L. Dickinson
WM. L. DICKINSON



ALPHONZO BELL
27TH DISTRICT
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Congress of the United States
House of Representatives
Washington, D.C. 20515

April 29, 1975

Dear Colleague,

A highly irresponsible letter has been circulated claiming there may be another Teapot Dome scandal if the naval oil reserves are transferred to the Interior Department. This is a scurrilous attack on H.R. 49.

If there is any evidence of scandal, let these Members of Congress put it on the table. There has been enough innuendo, distortion and outright lies.

H.R. 49 does not remove Congressional oversight, as alleged. In fact, it requires that all development plans for the oil reserves be referred to Congress. A negative resolution by either the House or the Senate would veto any plan.

H.R. 49 does not open the Elk Hills reserve for "commercial exploitation," as alleged. It would be stupid to lease this proven oil field to private oil companies. The Interior Dept. should be the operator, contracting out the production for a fixed fee. This is no different than the present Navy operation. In this way, the federal government would own all of its oil and get top price for this "new" oil.

I shall introduce an amendment on the floor expressly forbidding the leasing of Elk Hills by the Interior Dept.

H.R. 5919, the rival Armed Services Committee bill, does not, as claimed, provide for "immediate, maximum development and production" of the Elk Hills reserve. When President Ford toured the Elk Hills oil field on March 31st, he left the Navy with this remark: "We'll be back when you're up to 400,000 barrels a day." If the Navy and the Armed Services Committee have their way, President Ford will never come back.

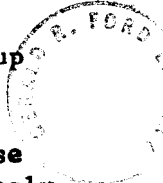
According to H.R. 5919, there can be a maximum production of only 200,000 barrels a day at Elk Hills, with a production limit of three years. The Navy estimates that total production over those three years would be just 122,000,000 barrels.

H.R. 49, by contrast, sets no limit on the daily production or the length of production. At a maximum efficient rate of 300,000 barrels a day, production under H.R. 49 would soon equal in one year all the oil allowed in three years under H.R. 5919.

H.R. 49 meets the nation's need for more domestic production. H.R. 5919 would limit and shut in this critically-needed oil, and would wastefully tie up scarce oil drilling equipment and labor.

It is in the national interest, in this time of energy crisis, that we use our oil reserves to reduce our dependence on foreign oil. I urge you to strongly support H.R. 49.

Sincerely yours,


Alphonzo Bell
Alphonzo Bell

Congress of the United States

House of Representatives

Washington, D.C. 20515

April 24, 1975

*Mass.
New York*

To Members of the New England Congressional Caucus:

Dear Colleague:

In evaluating H.R. 49, regarding our Naval Petroleum reserves, as reported out of the Interior Committee, I think it is important for us to recognize that there is a strong regional coloration to the measure. That is, the proceeds generated from this 20\$ billion national resource could easily result in being distributed to a number of Western states, to the exclusion of the rest of us.

The Mineral Leasing Act of 1920 provides that 37 1/2% of the proceeds of the leases shall go to the State from which the oil came, i.e. in this case, California. Furthermore, 52 1/2% shall go into the Reclamation Fund under the Reclamation Act of 1902. In examining the provisions of the latter Act, you will find that all these proceeds go to 17 Western states, and none at all to Eastern states. Finally, 10% goes to the General Treasury of the United States.

Thus, 90% of the proceeds of the leases which may be negotiated by the Department of the Interior for the oil in Elk Hills will be unavailable to states outside the 17 provided for in the Reclamation Act. And the remaining 10% is not directly available to the Northeast either.

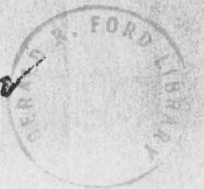
It should be no surprise, therefore, to learn that at least 25 of California's Congressmen have co-sponsored the Interior Committee's measure.

I strongly urge you to support the substitute language for H.R. 49 offered by the Armed Services committee, as it appears to me that this will both preserve and use Elk Hills as the truly national resource that it is.

If you have any questions concerning this legislation, please call me or my staff (Dick) at 54115.

Sincerely,

James M. Jeffords
James M. Jeffords



AUTHORIZING THE SECRETARY OF THE INTERIOR TO ESTABLISH ON CERTAIN PUBLIC LANDS OF THE U.S. NATIONAL PETROLEUM RESERVES THE DEVELOPMENT OF WHICH NEEDS TO BE REGULATED IN A MANNER CONSISTENT WITH THE TOTAL ENERGY NEEDS OF THE NATION AND FOR OTHER PURPOSES

MARCH 18, 1975.—Ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs, submitted the following.

REPORT

[To accompany H.R. 49]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 49) To authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Page 1, beginning on line 3, strike out all after the enacting clause and insert in lieu thereof the following:

That in order to develop petroleum reserves of the United States which need to be regulated in a manner to meet the total energy needs of the Nation, including but not limited to national defense, the Secretary of the Interior is authorized to establish national petroleum reserves on any reserved or unreserved public lands of the United States (except lands in the National Park System, the National Wildlife Refuge System, the Wild and Scenic Rivers System, the National Wilderness Preservation System, areas now under review for inclusion in the Wilderness System in accordance with provisions of the Wilderness Act of 1964, and lands in Alaska other than those in Naval Petroleum Reserve #4).

SEC. 2. No national petroleum reserve that includes all or part of an existing naval petroleum reserve shall be established without prior consultation with the Secretary of Defense, and when so established, the portion of such naval reserve included shall be deemed to be excluded from the naval petroleum reserve.

Upon the inclusion in a national petroleum reserve of any land which is in a naval petroleum reserve on the date of enactment of this act, any equipment, facilities, or other property of the Department of the Navy used in operations on the land so included and any records, maps, exhibits, or other informational data held by the Secretary of the Navy in connection with the land so included shall be transferred from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the purposes of this Act.

The Secretary of the Interior shall assume the responsibilities and functions of the Secretary of the Navy under any contract which now exists with respect to activities on a naval petroleum reserve to which the United States is a party.

Sec. 3. (a) The oil and gas in the national petroleum reserves in the contiguous forty-eight states established pursuant to this section may be developed under terms and conditions prescribed by the Secretary of the Interior. The Secretary of the Interior shall use competitive bidding procedures with prior public notice of not less than 30 days of the terms and conditions for any contract, lease, or operating agreement for development and production of oil and gas from a national petroleum reserve. Such terms and conditions and also plans for the development of each area of the national petroleum reserves shall be published in the Federal Register, but shall not become effective until sixty days after final notice has been published and submitted to the Congress (not counting days on which either the House of Representatives or the Senate is not in session for three consecutive days or more) and then only if neither the House of Representatives nor the Senate adopts a resolution of disapproval. Each proposed Plan of development and each amendment thereof shall explain in detail the method of development and production proposed, shall provide for disposal and transportation of the oil consistent with the public interest, and shall give full and equal opportunity for development of or acquisition of, or exchange for, the oil and gas by qualified persons including major and independent producers or refiners alike. Each proposed plan of development by the Secretary shall also explain the relative needs for developing the oil and gas resources in order to meet the total energy needs of the Nation, compared with the need for prohibiting such development in order to further some other public interest.

(b) Any oil or gas produced from such petroleum reserves, except such oil or gas which is either exchanged in similar quantities for convenience or increased efficiency of transportation with persons or the government of an adjacent foreign state, or which is temporarily exported for convenience or increased efficiency of transportation across ports of an adjacent foreign state and reenters the United States, shall be subject to all of the limitations and licensing requirements of the Export Administration Act of 1969 (Act of Dec. 30, 1969; 83 Stat. 841) and, in addition, before any oil or gas subject to this section may be exported under the limitations and licensing requirement and penalty and enforcement provisions of the Export Administration Act of 1969 the President must make and publish an express finding that such exports will not diminish the total quality or quantity of oil and gas available to the United States and are in the national interest and are in accord with the Export Administration Act of 1969.

(c) The Secretary of the Interior is authorized to enter into contracts for the sale of oil and gas which is produced from the National Petroleum Reserves and which is owned by the United States. Such contracts shall be issued by competitive bidding, they shall be for periods of not more than one-year's duration, and in amounts which, in the opinion of the Secretary, shall not exceed those which can be effectively handled by the purchasers.

(d) The Secretary of the Interior is hereby authorized and directed to explore for oil and gas on Naval Petroleum Reserve No. 4 and he shall report annually to Congress on his plan for exploration of such Reserve: *Provided*, That no development leading to production shall be undertaken unless authorized by Congress.

(e) Any pipeline which carries oil or gas produced from the national petroleum reserves shall be subject to the common carrier provisions of Section 28 (r) of the Mineral Leasing Act of 1920, (41 Stat. 449), as amended (30 U.S.C. Section 185), regardless of whether the pipeline crosses public lands.

PURPOSE

H.R. 49 proposes to authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes.

EXPLANATION AND NEED

The bill seeks to accomplish three things:

First, to authorize the Secretary of the Interior to establish national petroleum reserves on the public lands.

Second, to authorize the Secretary to prepare plans for development and production of oil and gas on such reserves in the lower forty-eight states, subject to Congressional acceptance of any production plan.

Third, to direct the Secretary to explore for oil and gas on the 22 million-acre Naval Petroleum Reserve No. 4 in Alaska, and to report his findings annually to Congress. However, the bill expressly prohibits the Secretary from allowing any leasing, development, or production from this Alaskan reserve until further action by Congress.

Potential Oil and Gas Production on Public Lands

H.R. 49 proposes that public lands heretofore set aside as Naval Petroleum Reserves may be reviewed by the Secretary of the Interior. After consultation with the Secretary of Defense he is authorized to establish national petroleum reserves, which may include all or part of a Naval Petroleum Reserve. Subsequently the Secretary of the Interior is authorized to propose to Congress a plan for the development and production of any area within a national petroleum reserve. Such proposed plans would take effect 60 days after publication in the Federal Register unless rejected by either body of Congress.

The potential 300,000 barrels per day of production from Elk Hills could replace a like amount of imported crude oil. At current prices this would reduce our balance of payments deficit by about \$1.3 billion and return to the U.S. Treasury approximately \$1.0 billion per year.

Committee Jurisdiction

Jurisdiction over public lands in the House of Representatives is the responsibility of the Committee on Interior and Insular Affairs. H.R. 49 deals with establishing national petroleum reserves on any reserved or unreserved public lands, with certain specified exceptions. These exceptions are lands in the National Park System, National Wildlife Refuge System, Wild and Scenic Rivers System, Wilderness Preservation System and lands under review for inclusion in the Wilderness System, and lands in Alaska except those in Naval Petroleum Reserve No. 4.

Naval Petroleum Reserves are public lands set aside by Executive Order and used for a specific purpose. Their development and production for their oil potential is covered by statute (10 U.S.C. 7421, *et seq.*). Under the House Rules, this statute puts them under the jurisdiction of the House Committee on Armed Services.

Any production of oil and gas for other than national defense purposes from a Naval Petroleum Reserve requires an act of Congress because current law limits production from these reserves to national defense needs. This has been interpreted to mean a declaration of war. H.R. 49, by authorizing a naval petroleum reserve to be included in a

national petroleum reserve, would lift these restrictions on production and would permit the reserves to be developed in order to meet the total energy needs of the nation, including but not limited to national defense.

Similar bills, i.e., H.R. 11840 and H.R. 16800, were introduced in the 93d Congress. After extensive hearings held by the Subcommittee on Public Lands, the substance of H.R. 11840 was approved by the Subcommittee as part of the broader Public Land Policy and Management Act, H.R. 16800. However, no final Committee action was taken on this legislation in the 93d Congress.

The Committee is aware of the jurisdictional overlapping of H.R. 49 insofar as the Naval Petroleum Reserves is concerned. A letter from the Honorable Melvin Price, Chairman of the Armed Services Committee, on this question is included as a part of this report, together with the response of the Chairman of this Committee. This Committee believes that the urgent national need for immediate action to produce more domestic oil and natural gas weighs heavily against any further delay through duplicating this Committee's hearings and consideration. Debate on amendments or a substitute for H.R. 49, offered on the House Floor, could give the House an opportunity to decide on a policy for establishment and development of national petroleum reserves on the public lands. If this is done without further delay, domestic petroleum production could be increased by 160,000 barrels per day in less than six months, and 300,000 barrels within a year according to administration officials.

The Committee respectfully notes that the House Armed Services Committee's Investigating Subcommittee held hearings on Elk Hills on October 17 and 18, 1973, during the 93d Congress. They recommended that the reserve only be put in readiness for military use. This Committee is not insensitive to the views and prerogatives of the Committee on Armed Services; however, the Members strongly urge immediate consideration of H.R. 49 by the House. It is in this format that H.R. 49 as well as the position of the Armed Services Committee together with the President's recommendations in his Energy Independence Act of 1975, can be fully and adequately debated and considered.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., March 3, 1975.

(Letter from Chairman of Committee on Armed Services to Chairman of Committee on Interior and Insular Affairs)

HON. JAMES A. HALEY,
Chairman, Committee on Interior and Insular Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I have learned that H.R. 49, a bill to authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves, has been favorably reported by the Subcommittee on Public Lands of your Committee. That bill would authorize the Secretary of the Interior to include within the national petroleum reserves the existing Naval Petroleum Reserves.

As you know, House Rule X, Clause 1(c)(4), grants this Committee jurisdiction over the conservation, development and use of Naval Petroleum Reserves. That jurisdiction was reaffirmed as recently as last October, when the House adopted H. Res. 988. In view of the exclusive jurisdiction of this Committee, I respectfully submit that the action taken by the Subcommittee on Public Lands clearly exceeded its jurisdiction and that of the Interior Committee. Accordingly, I request that the Interior Committee specifically exclude the Naval Petroleum Reserves from the provisions of the bill when it is presented for Committee action. I would also appreciate it if you would call this matter to the attention of the membership of your Committee by having this letter read when H.R. 49 comes before the Committee.

In the event that the Interior Committee approves the bill without specifically excepting the Naval Petroleum Reserves from its provisions, I request that this letter be made a part of the Interior Committee report on the bill.

Sincerely,

MELVIN PRICE,
Chairman.

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., March 7, 1975.

(Letter from Chairman of Committee on Interior and Insular Affairs to Chairman of Committee on Armed Services)

HON. MELVIN PRICE,
Chairman, House Committee on Armed Services, Room 2120, Rayburn Building, Washington, D.C.

DEAR MR. CHAIRMAN: H.R. 49, the bill to which you refer in your letter of March 3, has been scheduled for consideration by the Full Committee at our next regular meeting, Wednesday, March 12, at which time I assume the members will be aware of your position since you provided them with copies of your letter to me.

As to propriety of considering this legislation, we can only operate under the assumption that we have jurisdiction over a matter that has been referred to us by the Speaker. The bill of course provides that no petroleum reserve that includes an existing Naval Petroleum Reserve can be established without prior consultation with the Secretary of Defense.

At such time as any report on this bill is drafted, your request that your letter be made a part of that report will of course be considered.

Sincerely,

JAMES A. HALEY,
Chairman.

Historical Need for Naval Petroleum Reserves Has Changed

In the first quarter of this century four Naval Petroleum Reserves were created from public lands to assure that, in time of war, the Navy's ships would have adequate petroleum supplies. Naval Petro-

leum Reserve No. 1 at Elk Hills (established in September 1912); Naval Petroleum Reserve No. 2 (established in December 1915) at Buena Vista are both in California. Naval Petroleum Reserve No. 3 (established in December 1912) is Teapot Dome in Wyoming. Naval Petroleum Reserve No. 4 consisting of 22 million acres located on the north slope of the Brooks Range in Alaska was established in February 1923. Of the first three reserves, only Elk Hills, with 1.5 billion barrels, has any appreciable reserve.

The Defense Production Act of 1950, as amended, adequately protects the nation's defense needs. Under the terms of that Act, the President is authorized to assign priorities to any defense-related contracts or orders, including all fuels. The nation's entire supply of fuel could be immediately reserved and held for military use if necessary the minute the President establishes such a priority. Therefore, a reserve controlled by the Navy, but limited to use only during time of war, has lost the significance it once had.

Each of the three reserves in the lower forty-eight states is adjacent to other producing areas. Due to past and present production Buena Vista has been virtually depleted, with a reserve of only 51 million barrels remaining. Reserves in Teapot Dome are estimated to be only 50 million barrels. The relative insignificance of the amount of oil remaining in these two reserves make them reserves for the Navy in name only.

The case at Elk Hills is different. It can be put into production within sixty days. Production of 160,000 barrels per day could be obtained in less than six months and the reserve is capable of production of 300,000 barrels per day within one year. The Committee notes that this amount represents approximately 40 percent of the President's goal of reducing U.S. dependence on foreign crude imports by 800,000 barrels per day within one year. The total reserve is estimated to be 1.5 billion barrels of oil and over 1.2 trillion cubic feet of natural gas.

Drainage From the Elk Hills Reserve

Navy and Interior officials, private geologists and petroleum engineers, alike, all agreed in testimony that drainage from a partially developed petroleum field is difficult and sometimes impossible to prevent. Navy, in 1974, and again in February of this year, testified there was some drainage from Elk Hills. In this regard, two actions are now being litigated between the Navy and private oil companies to prevent further drainage through production from wells outside of the boundaries of the reserve.

To prevent such drainage, the Navy must either enjoin the production of oil on the adjoining lands outside of the reserve, or attempt to "jawbone" agreements with private interests to slow down production from, or vacate, active wells, or drill offset wells within the reserve and commence their own production. H.R. 49 would permit a production plan subject to Congressional approval. Such a plan would not only permit production within the reserve but would also free up production from wells on adjoining lands outside the reserve now enjoined by court action, thus ending the current litigation. This would mean an additional production of 20,000 barrels per day of oil by private companies on private lands now foreclosed by court order.

Joint U.S. and Standard Oil of California Ownership of Elk Hills Reserve Oil and Gas

The Elk Hills reserve is in joint ownership and, as a result of this, a unit plan contract between the Navy and the Standard Oil Company of California allocates 79 percent of the ownership to the Federal government and 21 percent to Standard. Since production ceased following World War II, standby maintenance has been provided for the existing wells through an operating agreement between the two parties which designates Standard as the operator of the field. However, the terms of the operating agreement permit its cancellation by either party. On February 14 of this year, Standard notified the Navy that it was exercising its right of cancellation.

Whether the Navy or another Federal agency manages Elk Hills, any new operating agreement must be negotiated with another company. Navy has testified that the unit plan contract and the operating agreement with Standard are equitable. The unit plan contract would remain in effect under any plan of production.

Known reserves of gas in Elk Hills exceed 1.2 trillion cubic feet which would become available for sale as oil production proceeded. There appears to be little need to stress the existing natural gas shortage in the Nation.

Protection of the Public Interest and Assuring Opportunity for Independent Oil Refiners to Have Equitable Access to Oil Produced on a National Petroleum Reserve

H.R. 49 provides that any plan of production proposed by the Secretary of the Interior from a national petroleum reserve in the lower forty-eight states can become effective only after being published in the Federal Register and submitted to Congress for 60 days during which time either body of Congress may veto it by adopting a resolution of disapproval. Any plan of production proposed by the Secretary can develop and produce such reserves either through a Federal agency, or by contracting or leasing with a private company on the basis of competitive bidding only.

The need for variation in any proposed production plans is evident because of the variations in conditions and circumstances of the petroleum reserves and supplies. As was pointed out previously, a reserve such as Teapot Dome has little oil left, requiring secondary treatment to recover the remaining oil, while Elk Hills permits primary production in several proven zones.

In any production plan, H.R. 49 requires that the small independent oil refiners, or purchasers of natural gas, have equitable opportunity to buy the product in amounts suitable to their needs, through purchase contracts limited to a year's duration. It also provides that any pipeline carrying oil or gas produced from a national petroleum reserve must be operated as a common carrier, thus assuring accessibility of the pipeline to the small independent companies. These protections are intended to guarantee small independent companies a viable opportunity to participate in the benefits of production from such national petroleum reserves.

Oil or gas produced from a national petroleum reserve cannot be exported under H.R. 49, except under the limitations and licensing

requirements of the Export Administration Act of 1969 and, in addition, unless the President makes a finding that such sale to a foreign country is in the national interest.

Potential of Naval Petroleum Reserve No. 4 in Alaska

The Committee finds that early exploration for oil and gas in Naval Petroleum Reserve No. 4 is essential. H.R. 49 directs the Secretary to undertake such exploration. However, production is out of the question for a number of years due to a lack of transportation. There are other matters to be considered before Congress makes a final judgment on the production of oil and gas contained in this reserve. These lands may have substantial values, including recreation, wildlife and other mineral deposits, in addition to any oil and gas.

Current oil development in Alaska is principally in the Prudhoe Bay area. That field involves leases issued by the State of Alaska to private oil companies and will pay royalties to the owners of the land. There could well be other fields found as extensions to the Prudhoe Bay field or in other areas of Alaska which could be developed under existing law and regulations and would return substantial revenues to the Federal government as well as to the State and the natives.

Exploration by the Navy within Naval Petroleum Reserve No. 4 is presently proceeding at a snail's pace. Navy has only two exploratory wells on this year's schedule, although they have programmed 24 more over the next 7 years at an estimated cost of \$382 million. Little is known of the potential oil or gas reserves in Naval Petroleum Reserve No. 4. Estimates range as high as 20-30 billion barrels of oil, but the Committee recognizes that these are little more than preliminary estimates until additional exploration has been accomplished.

Transportation facilities for oil or gas from this reserve will not be possible for at least five years and probably longer. The Trans-Alaskan Pipeline will begin operation in mid-1977, but any connection to it or expansion of it by looping to carry more than the oil produced in the Prudhoe Bay field is a major construction effort that would require another two to four years beyond 1977. A pipeline to carry natural gas from the North Slope of Alaska would require even more time.

It is vital to the national interest to assess the amount and location of potential oil and gas available in this 22 million acre reserve. There is the possibility of finding other minerals and there are wildlife and many other values on this large tract of public land that will have to be considered. For example, an area on the western side of the reserve is an historic and current calving ground of the Arctic caribou herd. The northeastern coastal plain area is considered to be the best waterfowl nesting area on the North Slope. Finally, lands in and adjacent to the Brooks Range are highly scenic. These areas should all receive consideration in any plans for development. In the Committee's opinion, the Secretary of the Interior is best qualified to make judgments regarding these other values.

The Department of the Interior administers more than 300 million acres of public land in Alaska. Some of this land is yet to be selected by the Natives and the State as permitted in the Alaskan Native Claims Settlement Act and the Alaska Statehood Act. Much of the

other public land in Alaska may be designated as wilderness, wild and scenic river, wildlife refuge, national park or national forest lands.

The Committee believes Congress must determine policy for this vast area of our largest State, and it believes also that the Department of the Interior should be guided by new law concerning public land policy. Certainly, the Navy should not retain exclusive jurisdiction over 22 million acres of Alaska public lands in the guise of an essentially unexplored petroleum reserve.

H.R. 49 would direct a more sensible and logical approach to the consideration of all of the public lands by integrating the management of Naval Petroleum Reserve No. 4 into the Department of the Interior. That Department could then determine the oil and gas potential on this reserve, together with its other values. Congress should determine all the relative values, including continuation of all or parts of it as a national petroleum reserve.

Meanwhile, production from proven reserves in the lower forty-eight States could proceed subject to Congressional review of the production plans.

BUDGET ACT COMPLIANCE

Under the provision of Rule X, clause 3 (b), and clause 1 (e) (3) (c), and sections 308(a) and 403 of the Congressional Budget Act of 1974, the Committee recognizes that some costs will be incurred as a result of the enactment of H.R. 49 (see Current and Five Subsequent Fiscal Year Cost Estimate), but it notes that the income will far exceed the costs.

CURRENT AND FIVE SUBSEQUENT FISCAL YEAR COST ESTIMATE

Pursuant to Rule XIII, Clause 7, of the Rules of the House of Representatives, the Committee estimates the cost to be incurred by the Federal Government during the current and the five subsequent fiscal years as a result of the enactment of this legislation would be as follows:

This bill would mean production of oil and gas from national petroleum reserves within the contiguous 48 states subject to a plan developed by the Secretary of Interior which would come before Congress for 60 days and be subject to a veto by either body. The Committee estimates that outlays for developing plans by the Secretary would not exceed \$2 million per year.

The bill also directs the Secretary of the Interior to explore for oil and gas on Naval Petroleum Reserve No. 4 in Alaska and report annually to Congress on his findings but does not allow any production. The Committee estimates that the Secretary of the Interior will expend nothing during the current fiscal year for exploration of this area, but up to \$50 million may be spent in each of the succeeding five fiscal years. However, it must be pointed out that these costs could vary considerably depending on the Secretary's findings as presented in his annual report to the Congress and on the determination by Congress of the Secretary's actual needs for exploration in Naval Petroleum Reserve No. 4. Even without enactment of H.R. 49, Navy estimates exploration costs of \$382 million over the next seven years. Cost estimates for H.R. 49 substantially replace Navy's projected costs.

U.S. receipts from sale of oil and gas produced from National Petroleum Reserves would most likely offset these expenditures many times over.

OVERSIGHT STATEMENT

Pursuant to Rule X, clause 2(b) (1), the Subcommittee on Public Lands conducted oversight related hearings during its hearings on H.R. 49. While the Subcommittee did not find that existing laws were implemented in a manner inconsistent with the intent of Congress at the time they were enacted, it did conclude that conditions and circumstances had so changed that new legislation was necessary and desirable. Based on this conclusion, the Subcommittee recommended and the Committee on Interior and Insular Affairs agreed (by a vote of 32 to 0) that the national interest demanded the development of new policy with respect to Federal oil and gas reserves.

No recommendations were submitted to the Committee pursuant to Rule X, clause 2(b) (2).

COMMITTEE CONSIDERATION

In the 93d Congress hearings were held on H.R. 11840 and related measures on December 18, 20, 21, 1973; on January 17, 22, 25, 28, 29, 1974; on February 4, 5, 28, 1974; and on March 14, 15, 1974—a total of 13 Committee Hearings.

In the 94th Congress the Subcommittee on Public Lands met to hear and consider H.R. 49 on February 6, 21 and 28, 1975. After discussing the matter on February 28 the Subcommittee revised the legislation and reported it favorably to the Full Committee on Interior and Insular Affairs. On March 13, 1975, the Committee on Interior and Insular Affairs ordered the measure favorably reported, as amended, to the House by a vote of 32 to 0.

DEPARTMENTAL REPORT

While no formal report was received from the Department of the Interior or the Department of Defense on H.R. 49, testimony was taken by the Subcommittee on Public Lands from both Executive Departments. Generally, the Administration spokesmen testified that their Energy Independence Act of 1975, a more general measure, is recommended. That legislation contains a provision similar to H.R. 49 which aims towards the ultimate development of the Naval oil reserves by the Navy Department. H.R. 49 modifies that approach by allowing the Secretary of the Interior to establish National Petroleum Reserves, including Naval Petroleum Reserves under certain circumstances, and to utilize the expertise available to him to explore and develop those reserves under the terms of the legislation.

While the Administration spokesmen indicated a preference for the proposal, as transmitted, it was clearly understood by the Members of the Committee that the Administration strongly recommends action by the Congress to assure the immediate production of the Elk Hills area. If the Congress concludes that a solution different from the one transmitted is more appropriate, the Administration is not expected to reject it on a jurisdictional basis.

H. R. 49

[Report No. 94-81]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 14, 1975

Mr. MELCHER introduced the following bill; which was referred to the Committee on Interior and Insular Affairs

MARCH 18, 1975

Reported from the Committee on Interior and Insular Affairs with an amendment, and referred to the Committee on Armed Services for a period ending not later than April 19, 1975

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 ~~That the Secretary of the Interior is authorized to establish~~
4 ~~on any reserved or unreserved public lands of the United~~
5 ~~States (except lands in the National Park System, the~~
6 ~~National Wildlife System, and the Wild and Scenic Rivers~~
7 ~~System, and the National Wilderness Preservation System~~
8 ~~and primitive and roadless areas in the national forests now~~

1 under review for inclusion in the Wilderness System in
 2 accordance with provisions of the Wilderness Act of 1964),
 3 national petroleum reserves the development of which needs
 4 to be regulated in a manner that will meet the total energy
 5 needs of the Nation, including but not limited to national
 6 defense.

7 SEC. 2. No reserve that includes all or part of an
 8 existing naval petroleum reserve shall be established with-
 9 out prior consultation with the Secretary of Defense, and
 10 when so established, the portion of the naval reserve in-
 11 cluded shall be deemed to be excluded from the naval
 12 reserve.

13 SEC. 3. (a) The oil and gas reserves in the contiguous
 14 forty-eight States established pursuant to this section may
 15 be developed under terms and conditions prescribed by the
 16 Secretary of the Interior sixty days after notice is given to
 17 the Congress (not counting days on which either the House
 18 of Representatives or the Senate is not in session for three
 19 consecutive days or more) if neither the House of Repre-
 20 sentatives nor the Senate adopts a resolution of disapproval.
 21 Any such proposed plan shall explain in detail the method
 22 of development proposed, and shall provide for develop-
 23 ment and transportation of the oil consistent with public
 24 interest and to give opportunity to the smaller or independ-
 25 ent oil producers and refining companies to utilize the

1 crude oil production. Any such proposed plan by the Secre-
 2 tary shall also explain the relative need for developing the
 3 oil and gas resource in order to meet the total energy
 4 needs of the Nation, compared with the need for prohibit-
 5 ing such development in order to further some other public
 6 interest.

7 (b) The Secretary of the Interior is hereby authorized
 8 and directed to explore for oil and gas production on public
 9 lands in the State of Alaska except lands in the National
 10 Park System, the National Wildlife System, and the Wild
 11 and Scenic Rivers System, and the National Wilderness
 12 Preservation System. The Secretary shall submit to Con-
 13 gress within two years a plan of development which shall
 14 not become effective unless authorized by an Act of Congress.
 15 *That in order to develop petroleum reserves of the United*
 16 *States which need to be regulated in a manner to meet the*
 17 *total energy needs of the Nation, including but not limited to*
 18 *national defense, the Secretary of the Interior is authorized*
 19 *to establish national petroleum reserves on any reserved or*
 20 *unreserved public lands of the United States (except lands in*
 21 *the National Park System, the National Wildlife Refuge*
 22 *System, the Wild and Scenic Rivers System, the National*
 23 *Wilderness Preservation System, areas now under review for*
 24 *inclusion in the Wilderness System in accordance with pro-*

1 *visions of the Wilderness Act of 1964, and lands in Alaska*
 2 *other than those in Naval Petroleum Reserve Numbered 4).*

3 *SEC. 2. No national petroleum reserve that includes all*
 4 *or part of an existing naval petroleum reserve shall be estab-*
 5 *lished without prior consultation with the Secretary of*
 6 *Defense, and when so established, the portion of such naval*
 7 *reserve included shall be deemed to be excluded from the*
 8 *naval petroleum reserve.*

9 *Upon the inclusion in a national petroleum reserve of*
 10 *any land which is in a naval petroleum reserve on the date*
 11 *of enactment of this Act, any equipment, facilities, or other*
 12 *property of the Department of the Navy used in operations*
 13 *on the land so included and any records, maps, exhibits, or*
 14 *other informational data held by the Secretary of the Navy*
 15 *in connection with the land so included shall be transferred*
 16 *from the Secretary of the Navy to the Secretary of the In-*
 17 *terior who shall thereafter be authorized to use them to carry*
 18 *out the purposes of this Act.*

19 *The Secretary of the Interior shall assume the respon-*
 20 *sibilities and functions of the Secretary of the Navy under*
 21 *any contract which now exists with respect to activities on a*
 22 *naval petroleum reserve to which the United States is a party.*

23 *SEC. 3. (a) The oil and gas in the national petroleum*
 24 *reserves in the contiguous forty-eight States established pur-*
 25 *suant to this section may be developed under terms and con-*

1 *ditions prescribed by the Secretary of the Interior. The*
 2 *Secretary of the Interior shall use competitive bidding*
 3 *procedures with prior public notice of not less than thirty*
 4 *days of the terms and conditions for any contract, lease, or*
 5 *operating agreement for development and production of oil*
 6 *and gas from a national petroleum reserve. Such terms and*
 7 *conditions and also plans for the development of each area*
 8 *of the national petroleum reserves shall be published in the*
 9 *Federal Register, but shall not become effective until sixty*
 10 *days after final notice has been published and submitted to*
 11 *the Congress (not counting days on which either the House*
 12 *of Representatives or the Senate is not in session for three*
 13 *consecutive days or more) and then only if neither the House*
 14 *of Representatives nor the Senate adopts a resolution of*
 15 *disapproval. Each proposed plan of development and each*
 16 *amendment thereof shall explain in detail the method of*
 17 *development and production proposed, shall provide for dis-*
 18 *posal and transportation of the oil consistent with the public*
 19 *interest, and shall give full and equal opportunity for devel-*
 20 *opment of or acquisition of, or exchange for, the oil and gas*
 21 *by qualified persons including major and independent pro-*
 22 *ducers or refiners alike. Each proposed plan of development*
 23 *by the Secretary shall also explain the relative need for devel-*
 24 *oping the oil and gas resources in order to meet the total*
 25 *energy needs of the Nation, compared with the need for*

1 *prohibiting such development in order to further some other*
 2 *public interest.*

3 *(b) Any oil or gas produced from such petroleum re-*
 4 *serves, except such oil or gas which is either exchanged in*
 5 *similar quantities for convenience or increased efficiency of*
 6 *transportation with persons or the government of an ad-*
 7 *jacent foreign state, or which is temporarily exported for*
 8 *convenience or increased efficiency of transportation across*
 9 *ports of an adjacent foreign state and reenters the United*
 10 *States, shall be subject to all of the limitations and licens-*
 11 *ing requirements of the Export Administration Act of 1969*
 12 *(Act of December 30, 1969; 83 Stat. 841) and, in addi-*
 13 *tion, before any oil or gas subject to this section may be ex-*
 14 *ported under the limitations and licensing requirement and*
 15 *penalty and enforcement provisions of the Export Adminis-*
 16 *tration Act of 1969 the President must make and publish*
 17 *an express finding that such exports will not diminish the*
 18 *total quality or quantity of oil and gas available to the*
 19 *United States and are in the national interest and are in*
 20 *accord with the Export Administration Act of 1969.*

21 *(c) The Secretary of the Interior is authorized to enter*
 22 *into contracts for the sale of oil and gas which is produced*
 23 *from the national petroleum reserves and which is owned*
 24 *by the United States. Such contracts shall be issued by com-*
 25 *petitive bidding, they shall be for periods of not more than*

1 *one year's duration, and in amounts which, in the opinion*
 2 *of the Secretary, shall not exceed those which can be effec-*
 3 *tively handled by the purchasers.*

4 *(d) The Secretary of the Interior is hereby authorized*
 5 *and directed to explore for oil and gas on Naval Petroleum*
 6 *Reserve Numbered 4 and he shall report annually to Con-*
 7 *gress on his plan for exploration of such reserve: Provided,*
 8 *That no development leading to production shall be under-*
 9 *taken unless authorized by Congress.*

10 *(e) Any pipeline which carries oil or gas produced*
 11 *from the national petroleum reserves shall be subject to the*
 12 *common carrier provisions of section 28(r) of the Mineral*
 13 *Leasing Act of 1920 (41 Stat. 449), as amended (30*
 14 *U.S.C. 185), regardless of whether the pipeline crosses*
 15 *public lands.*

94TH CONGRESS
1ST SESSION

H. R. 49

[Report No. 94-81]

A BILL

To authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes.

By Mr. MELCHER

JANUARY 14, 1975

Referred to the Committee on Interior and Insular
Affairs

MARCH 18, 1975

Reported from the Committee on Interior and Insular
Affairs with an amendment, and referred to the
Committee on Armed Services for a period ending
not later than April 19, 1975.

Phad agent w/ H.
—H—

H perceived that agent as Armed Serv. Unit
didn't meet their agent.
—H—

A/S bill allows max prod. 2,200,000 bbl day
for prod of 3 yrs. — doesn't say prod.
by many more to prod — return has
no guarantee of oil for 3 yrs.

A/S bill dependent on back contracts on its
self — Sec A p. 3. l. 25 — allows prod.
for prod but exceed 3 yrs
p. 4. l. 11 — provides for
Federal Court to operate 3 yrs after
date of enactment.



94TH CONGRESS
1ST SESSION

H. R. 5919

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1975

Mr. HÉBERT introduced the following bill; which was referred to the Committee on Armed Services

A BILL

To fully explore, fully develop, and produce the naval petroleum reserves with the revenue derived therefrom to be placed in a special fund for such exploration, development, and production, for production to be applied to the petroleum needs of the Department of Defense and for the establishment of a study group to investigate the feasibility of creating a National Strategic Petroleum Reserve (military), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That (a) chapter 641 of title 10, United States Code, is
4 amended as follows—

5 (1) Immediately before section 7421 insert the fol-
6 lowing new section:

1 **“§ 7420. Definitions**

2 “(a) In this chapter—

3 “(1) ‘national defense’ includes the needs of, and
4 the planning and preparedness to meet, essential defense
5 industrial and military emergency energy requirements
6 relative to the national safety, welfare, and economy,
7 particularly resulting from foreign military or economic
8 actions;9 “(2) ‘naval petroleum and oil shale reserves’ means
10 the naval petroleum and oil shale reserves established by
11 this chapter, including Naval Petroleum Reserve Num-
12 bered 1 (Elk Hills), located in Kern County, California,
13 established by Executive order of the President on Sep-
14 tember 2, 1912; Naval Petroleum Reserve Numbered 2
15 (Buena Vista), located in Kern County, California, es-
16 tablished by Executive order of the President on De-
17 cember 13, 1912; Naval Petroleum Reserve Numbered 3
18 (Teapot Dome), located in Wyoming, established by
19 Executive order of the President on April 30, 1915;
20 Naval Petroleum Reserve Numbered 4, Alaska, on the
21 north slope of the Brooks Range, established by Executive
22 order of the President of February 27, 1923; Oil Shale
23 Reserve Numbered 1, located in Colorado, established by
24 Executive order of the President of December 6, 1916,
25 as amended by Executive order of June 12, 1919; Oil1 Shale Reserve Numbered 2, located in Utah, established
2 by Executive order of the President of December 6,
3 1916; and Oil Shale Reserve Numbered 3, located in Col-
4 orado, established by Executive order of the President
5 of September 27, 1924;6 “(3) ‘petroleum’ includes crude oil, associated gases,
7 natural gasoline, and other related hydrocarbons, oil
8 shale, and the products of any of such resources; and

9 “(4) ‘Secretary’ means the Secretary of the Navy.”.

10 (2) Section 7421 (a) is amended—

11 (A) by striking out “for naval purposes” and
12 inserting in lieu thereof “for use of the Armed
13 Forces”; and14 (B) by striking out “section 7438 hereof” and
15 inserting in lieu thereof “this chapter”.16 (3) Section 7422 is amended by adding at the end
17 thereof the following new subsection:18 “(d) (1) In order to place certain naval petroleum
19 reserves in a proven state of readiness to produce petroleum,
20 the Secretary is authorized—21 “(A) to explore, develop, operate, and produce
22 petroleum, from Naval Petroleum Reserves Numbered 1,
23 2, and 3 at a rate consistent with sound oilfield en-
24 gineering practices up to two hundred thousand barrels
25 per day for a period not to exceed three years com-

1 mencing ninety days after enactment of this legislation;

2 and

3 “(B) to construct or procure pipelines and asso-
4 ciated facilities for transporting oil, associated liquids,
5 and gases, from Naval Petroleum Reserves Numbered 1,
6 2, and 3 to the points where such production will be
7 refined or shipped.

8 Such pipelines at Naval Petroleum Reserve Numbered 1 shall
9 have a combined delivery capability of not less than three
10 hundred and fifty thousand barrels per day, and shall be
11 fully operable by three years after the date of enactment
12 of this subsection.

13 “(2) The production authorization set forth in para-
14 graph (1) (A) of this subsection is conditioned upon the
15 Secretary reaching an agreement with the private owner
16 to continue operation of Naval Petroleum Reserve Numbered
17 1 under a unitized plan contract which adequately protects
18 the public interest.

19 “(3) The production of petroleum authorized under
20 this subsection is not subject to the provisions of subsection
21 (b) (2) of this section relating to Presidential approval or
22 congressional authorization.”

23 (4) Section 7423 is amended by inserting “(a)” im-
24 mediately before “The Secretary”; and by adding at the
25 end thereof the following new subsection:

1 “(b) During the three-year period of production au-
2 thorized by subsection (d) of section 7422 (during which
3 three-year period the consultation requirements of section
4 7431 (3) are waived), the Secretary shall submit annual
5 reports to the Armed Services Committees of the Senate and
6 the House of Representatives detailing—

7 “(1) the status of the exploration and development
8 program at each of the naval petroleum reserves;

9 “(2) the production which has been achieved at
10 each of the naval petroleum reserves pursuant to that
11 authorization, including the disposition of such production
12 and the proceeds realized therefrom;

13 “(3) the status of the pipeline construction and
14 procurement authorized by such subsection (d);

15 “(4) any need for modification of the production
16 levels authorized by such subsection (d), including any
17 recommendation for continuing production beyond the
18 three-year period provided in such subsection; and

19 “(5) the plans for further exploration, development,
20 and production at Naval Petroleum Reserve Numbered

21 4.”, (5) Section 7430 (b) is amended to read as
22 follows:

23 “(b) Notwithstanding any other provision of law,
24 each sale of the United States share of petroleum, gas, other

1 hydrocarbons, oil shale, or products therefrom, shall be made
 2 by the Secretary at public sale to the highest qualified bidder
 3 at such time, in such amounts, and after such advertising as
 4 the Secretary considers proper and without regard to Federal,
 5 State, or local regulations controlling sales or allocation of
 6 petroleum products.”.

7 (6) Section 7430 is further amended by adding at the
 8 end thereof the following new subsection:

9 “(c) Any disposition of the United States share of the
 10 production authorized by section 7422 (d) shall be conducted
 11 in such a manner as to insure that an amount of petroleum
 12 products equal in value to the crude oil and associated gases
 13 and liquids supplied from the naval petroleum reserves shall
 14 be made available to the armed forces of the United States.
 15 Any disposition of that production shall be so arranged as
 16 to give full and equal opportunity for acquisition of the
 17 petroleum and associated products by all interested com-
 18 panies, including major and independent oil refineries alike.”.

19 (7) Section 7432 is amended to read as follows:

20 **“§ 7432. Naval petroleum and oil shale reserves special**
 21 **fund**

22 “(a) There is hereby established on the books of the
 23 Treasury Department a special fund designated the ‘naval
 24 petroleum and oil shale reserves special fund’. There shall be
 25 credited to such fund—

1 “(1) all proceeds realized under this chapter from
 2 the disposition of the United States share of petroleum
 3 or refined products, oil and gas products, including roy-
 4 alty products;

5 “(2) the net proceeds, if any, realized from sales
 6 or exchanges within the Department of Defense of re-
 7 fined petroleum products accruing to the benefit of any
 8 component of that Department as the result of any such
 9 sales or exchanges; and

10 “(3) such additional sums as have been, or may be,
 11 appropriated for the maintenance, operation, explora-
 12 tion, development, and production of the naval petro-
 13 leum and oil shale reserves.

14 “(b) Funds available in the naval petroleum and oil
 15 shale reserve special fund shall be available for expenditure
 16 in such sums as are specified in annual congressional ap-
 17 propriations Acts for the expenses of—

18 “(1) exploration, prospecting, conservation, de-
 19 velopment, use, operation, and production of the naval
 20 petroleum and oil shale reserves as authorized by this
 21 chapter;

22 “(2) production, including preparation for produc-
 23 tion as authorized by this Act, or as may hereafter be
 24 authorized; and

25 “(3) the construction and operation of facilities

1 both within and outside the naval petroleum and oil
2 shale reserves incident to the production and the de-
3 livery of crude petroleum and derivatives, including
4 pipelines and shipping terminals.

5 (c) The budget estimates for annual appropriations
6 from the naval petroleum and oil shale reserve special fund,
7 shall be prepared by the Office of Naval Petroleum and Oil
8 Shale Reserves and shall be presented by the President in-
9 dependently of the budget of the Department of the Navy
10 and the Department of Defense.

11 (d) Contracts obligating only such funds as are ap-
12 propriated and made available annually may be entered into
13 by the Secretary for periods of not more than five years
14 renewable for a like term.

15 (8) Section 7433 (b) is amended by adding immediately
16 before the period at the end thereof the following: "and
17 credited to the naval petroleum and oil shale reserve special
18 fund".

19 (b) The analysis of such chapter 641 is amended—

20 (1) by inserting immediately before

"7421. Jurisdiction and control."

21 the following:

"7420. Definitions.;

22 and

1 (2) by striking out

"7432. Expenditures: appropriations available."

2 and inserting in lieu thereof the following:

"7432. Naval petroleum and oil shale reserve special fund."

3 SEC. 2. (a) The Secretary of the Navy shall establish
4 a study group which shall investigate the feasibility of creat-
5 ing a national strategic petroleum reserve (military) (here-
6 inafter in this section referred to as the "reserve"). Any such
7 reserve should include petroleum stored at strategic locations,
8 or available for delivery to such locations, and include facili-
9 ties for storage, transportation, or processing thereof. In
10 computing the amount of petroleum to be stored in such
11 reserve, the peacetime operating stocks and prepositioned
12 war reserve stocks of the Department of Defense shall not be
13 included. Such reserve should be in addition to any national
14 strategic petroleum reserve (civilian) which may be other-
15 wise provided for.

16 (b) The investigation required under subsection (a)
17 shall include, but need not be limited to, determinations with
18 respect to the size, scope, objectives, and all cost factors as-
19 sociated with the establishment of the reserve. In arriving
20 at its findings and recommendations, the study group shall
21 consult with, and seek, the position of the Joint Chiefs of
22 Staff relative to the overall posture of the reserve.

1 (c) Not later than one year after the date of the enact-
2 ment of this Act, the Secretary of the Navy shall report to
3 the Congress the findings and recommendations of the study
4 group.

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94TH CONGRESS
1ST SESSION

H. R. 5919

A BILL

To fully explore, fully develop, and produce the naval petroleum reserves with the revenue derived therefrom to be placed in a special fund for such exploration, development, and production, for production to be applied to the petroleum needs of the Department of Defense and for the establishment of a study group to investigate the feasibility of creating a National Strategic Petroleum Reserve (military), and for other purposes.

By Mr. HÉBERT

APRIL 14, 1975

Referred to the Committee on Armed Services

94TH CONGRESS
1ST SESSION

H. R. 5919

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1975

Mr. HÉBERT introduced the following bill; which was referred to the Committee on Armed Services

A BILL

To fully explore, fully develop, and produce the naval petroleum reserves with the revenue derived therefrom to be placed in a special fund for such exploration, development, and production, for production to be applied to the petroleum needs of the Department of Defense and for the establishment of a study group to investigate the feasibility of creating a National Strategic Petroleum Reserve (military), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That (a) chapter 641 of title 10, United States Code, is
4 amended as follows—

5 (1) Immediately before section 7421 insert the fol-
6 lowing new section:

1 "§ 7420. Definitions

2 "(a) In this chapter—

3 "(1) 'national defense' includes the needs of, and
4 the planning and preparedness to meet, essential defense
5 industrial and military emergency energy requirements
6 relative to the national safety, welfare, and economy,
7 particularly resulting from foreign military or economic
8 actions;9 "(2) 'naval petroleum and oil shale reserves' means
10 the naval petroleum and oil shale reserves established by
11 this chapter, including Naval Petroleum Reserve Num-
12 bered 1 (Elk Hills), located in Kern County, California,
13 established by Executive order of the President on Sep-
14 tember 2, 1912; Naval Petroleum Reserve Numbered 2
15 (Buena Vista), located in Kern County, California, es-
16 tablished by Executive order of the President on De-
17 cember 13, 1912; Naval Petroleum Reserve Numbered 3
18 (Teapot Dome), located in Wyoming, established by
19 Executive order of the President on April 30, 1915;
20 Naval Petroleum Reserve Numbered 4, Alaska, on the
21 north slope of the Brooks Range, established by Executive
22 order of the President of February 27, 1923; Oil Shale
23 Reserve Numbered 1, located in Colorado, established by
24 Executive order of the President of December 6, 1916,
25 as amended by Executive order of June 12, 1919; Oil1 Shale Reserve Numbered 2, located in Utah, established
2 by Executive order of the President of December 6,
3 1916; and Oil Shale Reserve Numbered 3, located in Col-
4 orado, established by Executive order of the President
5 of September 27, 1924;6 "(3) 'petroleum' includes crude oil, associated gases,
7 natural gasoline, and other related hydrocarbons, oil
8 shale, and the products of any of such resources; and

9 "(4) 'Secretary' means the Secretary of the Navy."

10 (2) Section 7421 (a) is amended—

11 (A) by striking out "for naval purposes" and
12 inserting in lieu thereof "for use of the Armed
13 Forces"; and14 (B) by striking out "section 7438 hereof" and
15 inserting in lieu thereof "this chapter".16 (3) Section 7422 is amended by adding at the end
17 thereof the following new subsection:18 "(d) (1) In order to place certain naval petroleum
19 reserves in a proven state of readiness to produce petroleum,
20 the Secretary is authorized—21 "(A) to explore, develop, operate, and produce
22 petroleum, from Naval Petroleum Reserves Numbered 1,
23 2, and 3 at a rate consistent with sound oilfield en-
24 gineering practices up to two hundred thousand barrels
25 per day for a period not to exceed three years com-

1 mencing ninety days after enactment of this legislation;
2 and

3 “(B) to construct or procure pipelines and asso-
4 ciated facilities for transporting oil, associated liquids,
5 and gases, from Naval Petroleum Reserves Numbered 1,
6 2, and 3 to the points where such production will be
7 refined or shipped.

8 Such pipelines at Naval Petroleum Reserve Numbered 1 shall
9 have a combined delivery capability of not less than three
10 hundred and fifty thousand barrels per day, and shall be
11 fully operable by three years after the date of enactment
12 of this subsection.

13 “(2) The production authorization set forth in para-
14 graph (1) (A) of this subsection is conditioned upon the
15 Secretary reaching an agreement with the private owner
16 to continue operation of Naval Petroleum Reserve Numbered
17 1 under a unitized plan contract which adequately protects
18 the public interest.

19 “(3) The production of petroleum authorized under
20 this subsection is not subject to the provisions of subsection
21 (b) (2) of this section relating to Presidential approval or
22 congressional authorization.”

23 (4) Section 7423 is amended by inserting “(a)” im-
24 mediately before “The Secretary”; and by adding at the
25 end thereof the following new subsection:

1 “(b) During the three-year period of production au-
2 thorized by subsection (d) of section 7422 (during which
3 three-year period the consultation requirements of section
4 7431 (3) are waived), the Secretary shall submit annual
5 reports to the Armed Services Committees of the Senate and
6 the House of Representatives detailing—

7 “(1) the status of the exploration and development
8 program at each of the naval petroleum reserves;

9 “(2) the production which has been achieved at
10 each of the naval petroleum reserves pursuant to that
11 authorization, including the disposition of such production
12 and the proceeds realized therefrom;

13 “(3) the status of the pipeline construction and
14 procurement authorized by such subsection (d);

15 “(4) any need for modification of the production
16 levels authorized by such subsection (d), including any
17 recommendation for continuing production beyond the
18 three-year period provided in such subsection; and

19 “(5) the plans for further exploration, development,
20 and production at Naval Petroleum Reserve Numbered
21 4.”, (5) Section 7430 (b) is amended to read as
22 follows:

23 “(b) Notwithstanding any other provision of law,
24 each sale of the United States share of petroleum, gas, other

1 hydrocarbons, oil shale, or products therefrom, shall be made
2 by the Secretary at public sale to the highest qualified bidder
3 at such time, in such amounts, and after such advertising as
4 the Secretary considers proper and without regard to Federal,
5 State, or local regulations controlling sales or allocation of
6 petroleum products.”.

7 (6) Section 7430 is further amended by adding at the
8 end thereof the following new subsection:

9 “(c) Any disposition of the United States share of the
10 production authorized by section 7422 (d) shall be conducted
11 in such a manner as to insure that an amount of petroleum
12 products equal in value to the crude oil and associated gases
13 and liquids supplied from the naval petroleum reserves shall
14 be made available to the armed forces of the United States.
15 Any disposition of that production shall be so arranged as
16 to give full and equal opportunity for acquisition of the
17 petroleum and associated products by all interested com-
18 panies, including major and independent oil refineries alike.”.

19 (7) Section 7432 is amended to read as follows:

20 **“§ 7432. Naval petroleum and oil shale reserves special**
21 **fund**

22 “(a) There is hereby established on the books of the
23 Treasury Department a special fund designated the ‘naval
24 petroleum and oil shale reserves special fund’. There shall be
25 credited to such fund—

1 “(1) all proceeds realized under this chapter from
2 the disposition of the United States share of petroleum
3 or refined products, oil and gas products, including roy-
4 alty products;

5 “(2) the net proceeds, if any, realized from sales
6 or exchanges within the Department of Defense of re-
7 fined petroleum products accruing to the benefit of any
8 component of that Department as the result of any such
9 sales or exchanges; and

10 “(3) such additional sums as have been, or may be,
11 appropriated for the maintenance, operation, explora-
12 tion, development, and production of the naval petro-
13 leum and oil shale reserves.

14 “(b) Funds available in the naval petroleum and oil
15 shale reserve special fund shall be available for expenditure
16 in such sums as are specified in annual congressional ap-
17 propriations Acts for the expenses of—

18 “(1) exploration, prospecting, conservation, de-
19 velopment, use, operation, and production of the naval
20 petroleum and oil shale reserves as authorized by this
21 chapter;

22 “(2) production, including preparation for produc-
23 tion as authorized by this Act, or as may hereafter be
24 authorized; and

25 “(3) the construction and operation of facilities

1 both within and outside the naval petroleum and oil
2 shale reserves incident to the production and the de-
3 livery of crude petroleum and derivatives, including
4 pipelines and shipping terminals.

5 "(c) The budget estimates for annual appropriations
6 from the naval petroleum and oil shale reserve special fund
7 shall be prepared by the Office of Naval Petroleum and Oil
8 Shale Reserves and shall be presented by the President in-
9 dependently of the budget of the Department of the Navy
10 and the Department of Defense.

11 "(d) Contracts obligating only such funds as are ap-
12 propriated and made available annually may be entered into
13 by the Secretary for periods of not more than five years
14 renewable for a like term."

15 (8) Section 7433 (b) is amended by adding immediately
16 before the period at the end thereof the following: "and
17 credited to the naval petroleum and oil shale reserve special
18 fund".

19 (b) The analysis of such chapter 641 is amended—

20 (1) by inserting immediately before

"7421. Jurisdiction and control."

21 the following:

"7420. Definitions.;

22 and

1 (2) by striking out

"7432. Expenditures: appropriations available."

2 and inserting in lieu thereof the following:

"7432. Naval petroleum and oil shale reserve special fund."

3 SEC. 2. (a) The Secretary of the Navy shall establish
4 a study group which shall investigate the feasibility of creat-
5 ing a national strategic petroleum reserve (military) (here-
6 inafter in this section referred to as the "reserve"). Any such
7 reserve should include petroleum stored at strategic locations,
8 or available for delivery to such locations, and include facili-
9 ties for storage, transportation, or processing thereof. In
10 computing the amount of petroleum to be stored in such
11 reserve, the peacetime operating stocks and prepositioned
12 war reserve stocks of the Department of Defense shall not be
13 included. Such reserve should be in addition to any national
14 strategic petroleum reserve (civilian) which may be other-
15 wise provided for.

16 (b) The investigation required under subsection (a)
17 shall include, but need not be limited to, determinations with
18 respect to the size, scope, objectives, and all cost factors as-
19 sociated with the establishment of the reserve. In arriving
20 at its findings and recommendations, the study group shall
21 consult with, and seek, the position of the Joint Chiefs of
22 Staff relative to the overall posture of the reserve.

1 (c) Not later than one year after the date of the enact-
2 ment of this Act, the Secretary of the Navy shall report to
3 the Congress the findings and recommendations of the study
4 group.

94TH CONGRESS
1ST SESSION

H. R. 5919

A BILL

To fully explore, fully develop, and produce the naval petroleum reserves with the revenue derived therefrom to be placed in a special fund for such exploration, development, and production, for production to be applied to the petroleum needs of the Department of Defense and for the establishment of a study group to investigate the feasibility of creating a National Strategic Petroleum Reserve (military), and for other purposes.

By Mr. HÉBERT

APRIL 14, 1975

Referred to the Committee on Armed Services

TESTIMONY OF
CONGRESSMAN ALFONZO BELL
(27TH DISTRICT - CALIFORNIA)
BEFORE THE HOUSE COMMITTEE ON RULES

APRIL 22, 1975

Mr. Chairman, I thank you and the other Members of the Committee for allowing me this opportunity to present my views on the two bills before you here today.

The distinguished Chairman and the other Members here know of my long involvement with the subject of bringing our petroleum reserves into production to help offset this Nation's very dangerous energy situation. Since early in the 93d Congress, I have advocated utilization of Petroleum Reserve #1 at Elk Hills in California to help offset our dangerous reliance on unstable foreign oil imports.

Mr. Chairman, the time has long passed since there was a need for special oil reserves for the exclusive use of the Navy.

The Naval oil reserves were set aside early in this century to assure a source of fuel for Naval vessels. The need for these special reserves was eliminated, however, during the Korean War when Congress enacted the Defense Production Act of 1950. As you know, this Act guarantees the military top priority over all American oil supplies and production -- and during any national emergency, the Armed Forces have first call on all oil and gas in America.

The Naval reserves, as such, owe their existence to nothing more than happenstance -- namely the reaction of Congress to the particular problems surrounding the Teapot Dome scandal during the Harding administration. Were it not for that infamous scandal which grew out of a particular President's very unwise choice of Cabinet officers, what are now Naval reserves would instead still be National petroleum reserves administered by the Secretary of the Interior.

Although that reaction by Congress to a problem back in the 1920's may have been a wise policy decision then, it is now clearly outdated -- an anachronism. I fail to see the reasoning behind having our Navy administer this Nation's mineral resources in 1975.

The job of our Department of Defense is to have our fighting ships ready, our jets ready, our military personnel ready, and our military equipment ready to protect the United States. Its job is not to handle the energy reserves and resources of this Nation.

Clearly the Department of the Interior, which has traditionally held the responsibility of managing our mineral resources, has more expertise and is better qualified to administer our oil reserves, as set down in H.R. 49.

This bill would authorize the Secretary of the Interior, after consultation with the Secretary of Defense, to establish National Petroleum Reserves on public lands of the United States, including the existing Naval fields. These national reserves would then be regulated and developed in a manner consistent with the total energy needs of the entire Nation, including but not limited to national defense.

As you know, this legislation has already been unanimously reported by the House Committee on Interior and Insular Affairs, and now has the support of more than 95 co-sponsors in the House. Similar legislation has been introduced in the Senate by Senators Mark Hatfield and Charles Percy.

Mr. Chairman, I think most Members of Congress agree that the Federal Government desperately needs to formulate an overall, central policy with regard to the exploration, development, production, and transportation of our domestic petroleum resources. This can best be carried out, as set down in H.R. 49, by that agency of our Government most competent to administer such matters -- the Interior Department, in cooperation with the Federal Energy Administration and the new Energy Resources Council.

The bill reported by the House Armed Services Committee (H.R. 5919) pretends to aim at helping our energy situation, but I seriously question whether we will ever see any meaningful production under their bill, if enacted, due to several glaring and serious deficiencies in it.

First, the Armed Services bill allows for production up to a maximum of only 200,000 B/D for a period of only 3 years, but it in no way directs any production. Even if the Navy moved quickly to produce the maximum allowable under this bill, which we would have no guarantee of, the Nation would see only 3 years of production at that very minimal level. Also, it is important to see that, as the bill is written, the 200,000 B/D maximum they are talking about applies to production from Reserves #1, 2, and 3 combined.

Secondly, the Armed Services bill is deficient in that, intentionally or otherwise, its provisions dove-tail in upon themselves: subsection "A" (page 3, line 25) allows for production "for a period not to exceed three years . . .", yet the following subsection (page 4, line 11) provides for construction or procurement of pipelines to "be fully operable by three years after the date of enactment"

Mr. Chairman, you know the Navy's track record on this as well as I do, and I see all kinds of potential here in H.R. 5919 for them to stall off producing until the pipelines are ready, which very conveniently happens to coincide with the expiration of their authority to produce under the bill.

The third major inadequacy that I see in the Armed Services bill is that it spells out nothing whatsoever about PET 4 in Alaska -- it doesn't even mention it. Our bill, H.R. 49, authorizes and directs the exploration for oil in that vast area in Northern Alaska so we will know how much oil we've got up there. Mr. Chairman, right now, even though that reserve was established over 40 years ago, we don't even know whether there are any oil and gas up there in any sizeable quantities -- because the Navy has allowed that huge field to lie there totally unexplored for all practical purposes.

With PET 4, we are talking about an area larger than the State of Indiana, and it is high time we got it explored to find out what quantity of oil we have there.

Finally, Mr. Chairman, the most serious deficiency in H.R. 5919 is that it permits the Navy to retain control over this Nation's oil reserves -- which I see as completely illogical and anachronistic.

Certainly the concept of assuring a source of fuel for America's military forces is vitally necessary and highly essential to the national defense -- but I don't think this necessitates having our Navy in the oil business.

The U.S. Navy has no more business being in the oil business than the Department of the Interior would have managing the Sixth Fleet.

We can no longer afford the luxury, Mr. Chairman, of allowing such a critical resource as Elk Hills, or PET 4 in Alaska, to sit there in such an inadequate state of development and readiness and to be administered by an agency neither designed nor qualified to administer mineral resources.

I seriously question whether we can even legitimately call Elk Hills or PET 4 "reserves" -- given their present total lack of any state of readiness, they are more accurately categorized as potential "resources" than "reserves". The Navy has never really brought either of these two fields up to legitimate reserve status.

Bringing the vast Elk Hills field in California up to its full maximum efficient rate of production, as H.R. 49 would allow for, would take only 1 to 3 years and would provide 300,000 to 450,000 additional barrels of badly needed domestic oil a day (or, potentially, 10 million gallons of gasoline per day.)

At current prices, this amount of increased domestic production would have an immediate favorable impact on our balance of payments to the tune of more than \$1 billion per year.

Other sources promise potential production 10 or more years down the pike, but Elk Hills is the only place in the United States where we can realize such a sizeable quantity of oil production almost immediately, when it is so desperately needed to help ward off our dangerous dependence on the whims of the Arab nations.

Apparently the Navy is now thinking along the lines of drilling some 1000 additional wells at Elk Hills, then essentially shutting them in. Mr. Chairman, it doesn't take an economist to see that this makes no sense economically. Such a program would be inefficient, uneconomical, and inflationary. It would also place unreasonable and non-productive demands on the Nation's supply of oil rigs, drilling pipe, tubular goods, and the qualified personnel who are badly needed elsewhere for productive undertakings. This is precisely, Mr. Chairman, why Standard of California has asked to be let out as operator of Elk Hills -- they don't want to continue to have their scarce equipment and personnel drained into an operation where they think there isn't going to be any production.

Mr. Chairman, allow me to cite something Arthur Burns said last fall:

"We cannot afford continuing buying oil from foreign sources at the rate we are going now. If we continue this, this will result in a massive redistribution of the political and economic power of the world. This is a dangerous implication for the United States. Oil exporting countries have taken in \$75 billion in oil revenues from the total world. The U.S. contribution to this has been \$23 billion."

By now, those figures are even much higher. But we in Congress can do something about this, and can do something about it right now which will make a substantial difference to this Nation in the future.

Mr. Chairman, in the national interest the Congress must allow Elk Hills to be brought into production. And, in the national interest, this should be done in the most competent manner possible -- by the Department of the Interior.

The Interior Department, as of December 31 of last year, has 1,448 personnel who were classified as petroleum engineers and geologists. Specifically, according to information I have obtained from the Department, this total includes 203 petroleum engineers and 1,245 geologists.

By contrast, according to the latest data I have received, the Naval Office of Petroleum and Oil Shale Reserves consists of only 47 persons -- 11 Naval personnel and 36 civilians.

Clearly, the United States Department of the Interior has the expertise and is best qualified to administer our petroleum reserves. Right now, Interior is administering the equivalent of 3 million barrels per day of production from leases on the Outer Continental Shelf. To try to bring the Navy up to a comparable level of competence would require a wasteful and redundant duplication within the Defense Department of the Bureau of Land Management and the U.S. Geological Survey.

Mr. Chairman, in thinking about petroleum reserves for the future, we should look toward the development of total governmental, national petroleum reserves which would be capable of immediate production during a national emergency as envisioned in H.R. 49 as reported by the House Interior Committee. This would, of course, include as top priority national defense purposes, yet would be a much saner and more rational over-all policy than having individual agencies holding reserves exclusively for their own use. I therefore urge this Committee's priority consideration to making H.R. 49 as reported by Interior Committee in order for consideration on the House Floor.

Thank you, Mr. Chairman.

matters -- the Interior Department, in cooperation with the Federal Energy Administration and the new Energy Resources Council.

The bill reported by the House Armed Services Committee (H.R. 5919) pretends to aim at helping our energy situation, but I seriously question whether we will ever see any meaningful production under their bill, if enacted, due to several glaring and serious deficiencies in it.

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We can no longer afford the luxury, Mr. Chairman, of allowing such a critical resource as Elk Hills, or PET 4 in Alaska, to sit there in such an inadequate state of development and readiness and to be administered by an agency neither designed nor qualified to administer mineral resources.

I seriously question whether we can even legitimately call Elk Hills or PET 4 "reserves" -- given their present total lack of any state of readiness, they are more accurately categorized as potential "resources" than "reserves". The Navy has never really brought either of these two fields up to legitimate reserve status.

IN THE HOUSE OF REPRESENTATIVES

OPEN; DIVIDING TIME BETWEEN INTERIOR AND ARMED SERVICES; MAKING INTERIOR SUBSTITUTE IN ORDER AS AN ORIGINAL BILL; MAKING IN ORDER AS A SUBSTITUTE THE TEXT OF H.R. 5919; IF TEXT OF H.R. 5919 IS REJECTED, IT SHALL THEN BE IN ORDER TO CONSIDER EN BLOC AMENDMENTS OF ARMED SERVICES COMTE; INTERIOR FILING SUPPLEMENTAL REPORT TO PROVIDE IMPACT STATEMENT)

RESOLUTION

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 49) to authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes. After general debate, which shall be confined to the bill and to the amendments made in order by this resolution and which shall continue not to exceed ___ hour(s), ___ hour(s) to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interior and Insular Affairs, and ___ hour(s) to be equally divided and controlled by the chairman and ranking minority member of the Committee on Armed Services, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider the amendment in the nature of a substitute recommended by the Committee on Interior and Insular Affairs now printed in the bill as an original bill for the purpose of amendment, and said substitute shall be considered as having been read for amendment. Immediately after general debate is concluded, it shall be in order to consider the text of the bill H.R. 5919 if offered as an amendment in the nature of a substitute for the amendment recommended by the Committee on Interior and Insular Affairs. If said amendment in the nature of a substitute is rejected in Committee of the Whole, it shall then be in order to consider en bloc the amendments recommended by the Committee on Armed Services now printed in the bill to the amendment recommended by the Committee on Interior and Insular Affairs. At the conclusion of the consideration of H.R. 49 for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

NOTIFIED
divided law firms
committee
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H.R. 5919
amendment
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armed
services
amendment

interior no impact
provision but given
supplemental report

FORD LIBRARY
Substitute
armed services

STATUS OF NAVAL PETROLEUM RESERVES LEGISLATION

I. Key Provisions of Titles 1 & 2 of President's Energy Independence Act

- Will provide unlimited production (300,000+barrels per day) from NPRs 1, 2 & 3.
- Proceeds from sale of oil from NPRs 1-3 would be used to supply military fuel needs, plan and construct domestic and civilian storage program of 1.3 billion barrels and increase exploration program on NPR-4.
- Will provide production from NPR-4 once specific production plan approved by the Congress (i.e. leasing).
- Some NPR oil would be used ^{for} strategic military purposes (up to 20%) and the remainder would be sold in a commercial manner. Proceeds would be used to fill domestic and military storage systems.
- NPR-4 would produce 2 million barrels per day by 1985, roughly 12% of the nation's petroleum requirements in that year.

II. Key Provisions of Chairman Hebert's Bill

- Production would be authorized from NPRs 1-3, but only for 3 years and at a maximum rate of 200,000 barrels per day.
- Exploration of Alaskan reserve is authorized, even though we already have the authority and there is no commitment to development and production.
- Action on the Strategic Petroleum Reserve is restricted to a study, an authority we already have.
- Funds from the sale of limited NPR production can only be used to explore and develop NPRs 1-3 and to explore NPR-4. Funds from this source cannot be used to design and construct the storage system.
- Passage of the Hebert bill would leave us short by 2 million barrels per day of our 1985 goal and would require large annual appropriations from a general fund to build the storage system.

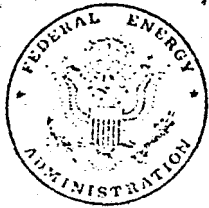


III. Key Provisions of Melcher's Bill

- . Elk Hills production to 160,000 bbls/day quickly, then to 300,000 bbls/day -- the maximum efficient rate of recovery.
- . Secretary of Interior to develop plan (after consulting with the Secretary of Defense concerning Naval reserve) subject to veto by Congress.
- . Exploration only of Alaskan Petroleum Reserve No. 4 authorized. Development subject to future Congressional action.
- . Oil produced to be sold commercially at competitive bids and at terms to permit independent refiners to have access to it or to be used by military as needed by military.
- . Treasury to receive \$1 billion per year when Elk Hills producing at 300,000 bbls/day less \$1/bbl. cost of production (basis current cost of comparable oil at California docks).



4/22



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM:

Frank Zarb *[Signature]*

SUBJECT:

Talking Points for your Meeting with
Congressman Hebert

During your Wednesday trip to Louisiana to dedicate the F. Edward Hebert Library, it would be helpful if you could discuss the Naval Petroleum Reserve development and Strategic Storage legislation with Congressman Hebert.

As you know, Titles I and II of your Energy Independence Act provide for unlimited production from existing Naval Petroleum Reserves (primarily Elk Hills, California), full-scale exploration and development of NPR-4 in Alaska, and authorization of a Strategic Reserve System as an insurance against potential embargoes.

Congressman Hebert's Investigations Subcommittee and subsequently the Armed Services Committee reported out a substitute Title which falls short of obtaining the objectives of your energy program. Congressman Melcher's bill, which would give jurisdiction of the Naval Petroleum Reserves to the Department of the Interior, is considerably closer in fulfilling your objectives. Both bills are scheduled for concurrent debate by the House next week.

Attachments

Tab A - Status of Legislation

Tab B - Suggested Talking Points



STATUS


Congressman Herbert's Investigations Subcommittee, and subsequently the full Armed Services Committee, reported out a substitute Title I which limits your authority in the following areas:

- NPR production would be limited to 200,000 barrels per day for only a three-year period. The Navy estimates this to be maximum of 122 million barrels.
- While exploration of the Alaskan reserves is authorized, there is no urgency expressed in regard to development and production.
- Action on a Strategic Petroleum Reserve (Military) is restricted to a study to be submitted within one year.
- Funds from the sale of NPR production would be used only to explore and to develop NPR's 1, 2, and 3, and to explore NPR-4 in Alaska. There is no commitment or link to fully-produce Alaska or to implement both the Civilian and Military Strategic Reserve Systems.

Congressman Herbert's main objections to your legislation appear to be based mainly on two assumptions:

- Congress generally, and the Armed Services Committee specifically as guardians of the NPR's for national defense purposes, should not give up their current control over them, and are opposed to our legislation which they feel is a "blank check."
- Strict limitations should be put on any Elk Hills production, as the Armed Services might need this oil for future emergencies.

The House also has before it a bill sponsored by Representative Melcher which would transfer the NPR's, along with other Federal land, to the Secretary of the Interior for development. Unlike the Armed Services Committee bill, it would authorize unlimited production of NPR's 1, 2, and 3, subject to a 60-day Congressional veto. However, the Melcher Bill does not provide for a special fund or for a strategic storage system. It would also authorize exploration of NPR-4, but full development would require further Congressional authorizations. It is likely that both the Melcher and the Armed Services Committee bills will be considered by the full House next week.



SUGGESTED TALKING POINTS

It would be helpful if you could make Congressman Hebert aware of your specific objections to the Armed Services Committee substitute Title I:

1. There is a lack of commitment to a Strategic Reserve System, as the bill only provides for a study.
 - Such a system, when fully developed, would deliver much more oil during an emergency than Elk Hills could, even if it were fully developed (three million barrels a day, versus 300,000 - 400,000 barrels per day).
 - The Strategic Reserve System (1.3 billion barrels), along with the Defense Production Act, would be more than sufficient to meet any possible defense requirements during an emergency situation.
2. It does not provide for sufficient production from NPR's 1, 2, and 3 (Elk Hills, Buena Vista, and Teapot Dome), limiting them to a maximum of 200,000 barrels a day for three years.
 - Full production, conditioned upon increasing pipeline capacity, is needed to increase our domestic supplies and decrease our vulnerability to imports in the short term.
 - Because of the tight budgetary situation, we need the proceeds from full NPR production to develop NPR-4 in Alaska and to implement the Strategic Reserve System as outlined in Titles I and II of your legislation.
3. It does not provide for the production of NPR-4 in Alaska, a key element in obtaining long-term energy invulnerability.
 - This huge area of untapped domestic reserves may provide as much as two million barrels a day by 1985.
 - Because of the long lead times involved in developing this area, it is necessary to have

the authority to explore and produce NPR-4
as soon as possible.

4. Given the present features and deficiencies of both the Armed Services Committee and the Melcher bills, you would have to consider the options of supporting either bill with appropriate amendments that would more closely adhere to the objectives of your energy program.



THE WHITE HOUSE

WASHINGTON

May 1, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: CHARLES LEPPERT, JR. *CL*

SUBJECT: Elk Hills

Rep. Bill Ketchum called regarding the Elk Hills legislation. Ketchum is disturbed at the President's support of the Armed Services Committee bill. He feels that the President made a commitment to support production from Elk Hills when he visited the area and told both Ketchum and Al Bell that he would take a good hard look at the Interior bill. Ketchum and Bell feel the President has not taken the look at the Interior bill as he promised or else he would not support the Armed Services bill.

Ketchum further stated that the President should have also weighed the political considerations involved in this legislation. The area involved is in his Congressional District yet he was not consulted by the Administration on this bill. He feels the President or the Administration should have sought the view of the Member of the Congressional District involved and those Members who had worked so long and hard for the Interior bill and were on record in opposition to the Armed Services Committee bill and the Navy's failure to cooperate.

Ketchum feels the President has no consideration for his own GOP Members of Congress and that this attitude by the President and his Administration is eroding away all the support the President has with the California GOP delegation.

THE WHITE HOUSE
WASHINGTON

NETA

PLS CALL GINGIER

* TELL HIM THAT I WAS
^{THROST OF THIS}
SEEN, EDITORIAL IN THE
DAILY NEWS SUMMARY HE
GETS EACH DAY.

TR

CHAS.

OK 5/6/75





JOHN GINGLES

LEGISLATIVE ASSISTANT TO
CONGRESSMAN ALPHONZO BELL
CALIFORNIA

2329 RAYBURN H. O. B.
WASHINGTON, D. C. 20515
202/225-6451

House of Representatives
Washington, D.C. 20515

MEMORANDUM

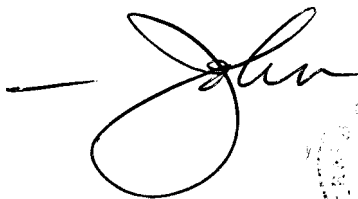
2 May 75

Charlie -

Thought you might be interested in the attached.

The Congressman been working on this from the beginning convinced that he was helping the President with his energy goals, and is now understandably a bit disheartened.

It would be nice if the President could see this editorial.

A handwritten signature in black ink, appearing to read "John Ford". The signature is stylized with a large loop at the end.

Los Angeles Times

HARRISON GRAY OTIS, 1882-1917

HARRY CHANDLER, 1917-1944

NORMAN CHANDLER, 1944-1960



OTIS CHANDLER, Publisher

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ROBERT J. DONOVAN, Associate Editor

FRANK P. HAVEN, Managing Editor

JEAN SHARLEY TAYLOR, Associate Editor

THURSDAY MORNING, MAY 1, 1975

Elk Hills' Importance to the U.S.

The chances for extensive and, above all, necessary development of the vast Elk Hills Naval Petroleum Reserve in Kern County have been diminished, thanks to President Ford's sudden change of mind and some fancy politicking on the House floor.

Right now, it looks like the Navy and its congressional supporters are in a good position to win the Elk Hills fight, and, if that proves true, the nation's hopes for achieving greater energy self-sufficiency will likely be set back.

Legislation to turn control of Elk Hills over to the Interior Department and make possible production of up to 300,000 barrels of oil a day has been temporarily withdrawn from consideration. Amendments will be made to close various alleged, and in some cases farfetched, loopholes—among them the

insinuation by Chairman Melvin Price (D-III) of the Energy Committee, have weakened the prospects for greatly augmented production from Elk Hills. The committee's bill would retain Navy control over the oil fields, limit expanded production to no more than 200,000 barrels a day for a maximum of three years, and earmark all the oil for the military.

Given the Navy's reluctance to tap Elk Hills—even during World War II it drew only minimal amounts from the vast pool—that probably means that actual production would be much less than the ceiling authorized.

None of that will do. Elk Hills is a readily available source of much-needed domestic oil. Expanded and continuous production would reduce imports of costly foreign fuels, and could help significantly in creation of a strategic oil reserve that would greatly lessen our vulnerability if overseas supplies were

THE WHITE HOUSE

WASHINGTON

May 9, 1975

MEMORANDUM FOR:

MAX L. FRIEDERSDORF

THRU:

VERN LOEN *VL*

FROM:

CHARLES LEPPERT, JR. *CLJ.*

SUBJECT:

Elk Hills Legislation

Attached for your information is a copy of H. R. 49 as recently amended and reported by the Committee on Interior and Insular Affairs.

The major amendments to the bill were both clarifying in nature and substantive. Some of the major amendments provide that: the Secretary only with the approval of the President can establish, explore and develop National petroleum reserves, the Mineral Leasing Act of 1920 is not applicable, all revenues derived go into the general treasury, the anti-trust and common carrier provisions were strengthened, and sets up a separate office in the Department of the Interior known as the Office of National Petroleum Reserves with a Director and staff.

✓cc: Doug Bennett
Glenn Schleede



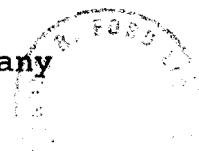
H.R. 49 (Elk Hills)
as amended*
by the
Committee on Interior and Insular Affairs
May 7, 1975

To authorize the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves the development of which needs to be regulated in a manner consistent with the total energy needs of the Nation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to develop petroleum reserves of the United States which need to be regulated in a manner to meet the total energy needs of the Nation, including but not limited to national defense, the Secretary of the Interior, with the approval of the President, is authorized to establish national petroleum reserves on any reserved or unreserved public lands of the United States (except lands in the National Park System, the National Wildlife Refuge System, the Wild and Scenic Rivers System, the National Wilderness Preservation System, areas now under review for inclusion in the Wilderness System in accordance with provisions of the Wilderness Act of 1964, and lands in Alaska other than those in Naval Petroleum Reserve Numbered 4).

SEC. 2. No national petroleum reserve that includes all or part of an existing naval petroleum reserve shall be established without prior consultation with the Secretary of Defense, and when so established, the portion of such naval reserve included shall be deemed to be excluded from the naval petroleum reserve.

Upon the inclusion in a national petroleum reserve of any land which is in a naval petroleum reserve on the date of enactment of this Act, any equipment, facilities, or other



*In lieu of the Committee amendment reported on March 18 (H.Rept. 94-81 pt. 1) H.R. 49 would read as above.

property of the Department of the Navy used in operations on the land so included and any records, maps, exhibits, or other informational data held by the Secretary of the Navy in connection with the land so included shall be transferred from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the purposes of this Act.

The Secretary of the Interior shall assume the responsibilities and functions of the Secretary of the Navy under any contract which now exists with respect to activities on a naval petroleum reserve to which the United States is a party.

SEC. 3. (a) The oil and gas in the national petroleum reserves in the contiguous forty-eight States established pursuant to section 2 may be developed under terms and conditions prescribed by the Secretary of the Interior and approved by the President. The Secretary of the Interior shall explore, develop or produce the oil and gas or shall use competitive bidding procedures with prior public notice of not less than thirty days of the terms and conditions for any contract, or operating agreement for development and production of oil and gas from a national petroleum reserve. If the Secretary does not explore, develop and produce oil and gas from the areas known as Naval Petroleum Reserves Numbered 1, 2, and 3 these reserves shall only be explored, developed and produced by competitive bid contracts providing for the payment by the United States of a monetary sum rather than a share of production: Provided, That he shall not enter into any such contract with an owner of any part of Naval Petroleum Reserve Numbered 1, and he shall not authorize any production within Naval Petroleum

Reserve Numbered 1 unless he has reached an agreement with the current owner of part of the Reserve to continue operations under a unit plan contract which protects the public interest. Such terms and conditions and also plans for the development of each area of the national petroleum reserves shall be published in the Federal Register, but shall not become effective until ninety days after final notice has been published and submitted to the Congress (not counting days on which either the House of Representatives or the Senate is not in session for three consecutive days or more) and then only if neither the House of Representatives nor the Senate adopts a resolution of disapproval. Each proposed plan of development and each amendment thereof shall explain in detail the method of development and production proposed and shall provide for disposal and transportation of the oil consistent with the public interest. Each proposed plan of development shall provide that the terms of every sale or exchange of oil and gas from a national petroleum reserve shall be so structured as to give a full and equal opportunity for the acquisition of, or exchange for, the oil and gas by all interested companies, including major and independent oil producers and refiners alike and shall be so structured as to include blocks small enough to permit small companies to offer viable bids on the oil tendered. Each proposed plan of development shall also explain the relative need for developing the oil and gas resources in order to meet the total energy needs of the Nation, compared with the need for prohibiting such development in order to further some other public interest.

All geological and geophysical information collected and developed pursuant to the development and implementation of the plan shall be made available to the public within a period of three years after its collection. Privileged or proprietary information will not be released without consent.

(b) (1) At each stage in the formulation and promulgation of any terms and conditions, plans of development or amendment thereto, and rules and regulations, and at each stage in the entering and making of contracts and operating arrangements, under this Act, the Secretary of the Interior shall consult with and give due consideration to the views and advice of the Attorney General of the United States.

(2) All plans submitted to the Congress by the Secretary of the Interior under this Act shall contain a report by the Attorney General of the United States on the anticipated effects upon competition of such plans.

(3) No contract or operating arrangement may be made or issued under this Act until at least 30 days after the Secretary of the Interior notifies the Attorney General of the proposed contract or operating arrangement. Such notification shall contain such information as the Attorney General may require in order to advise the Secretary of the Interior as to whether such contract or operating arrangement would create or maintain a situation inconsistent with the antitrust laws. If the Attorney General advises the Secretary of the Interior that a contract or operating arrangement would create or maintain such a situation, the Secretary of the Interior may not make or

issue that contract or operating arrangement unless he thereafter conducts a public hearing on the record in accordance with the Administrative Procedure Act and finds therein that such contract or operating arrangement is necessary to effectuate the purposes of this Act, that it is consistent with the public interest, and that there are no reasonable alternatives consistent with this Act, the antitrust laws, and the public interest.

(4) Nothing in this Act shall be deemed to convey to any person, association, corporation, joint venture, or other business organization immunity from civil or criminal liability, or to create defenses to actions, under the antitrust laws.

(5) As used in this section, the term "antitrust laws" means --

(A) the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies", approved July 2, 1890 (15 U.S.C. 1 et seq.), as amended;

(B) the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1959 (15 U.S.C. 12 et seq.), as amended;

(C) the Federal Trade Commission Act (15 U.S.C. 41 et seq.), as amended;

(D) sections 73 and 74 of the Act entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes", approved August 27, 1894 (15 U.S.C. 8 and 9), as amended; or

(E) the Act of June 19, 1936, chapter 592
(15 U.S.C. 13, 13a, 13b, and 21a).

(c) Any oil or gas produced from such petroleum reserves, except such oil or gas which is either exchanged in similar quantities for convenience or increased efficiency of transportation with persons or the government of an adjacent foreign state, or which is temporarily exported for convenience or increased efficiency of transportation across parts of an adjacent foreign state and reenters the United States, shall be subject to all of the limitations and licensing requirements of the Export Administration Act of 1969 (Act of December 30, 1969; 83 Stat. 841) and, in addition, before any oil or gas subject to this section may be exported under the limitations and licensing requirement and penalty and enforcement provisions of the Export Administration Act of 1969, the President must make and publish an express finding that such exports will not diminish the total quality or quantity of oil and gas available to the United States and are in the national interest and are in accord with the Export Administration Act of 1969.

(d) Pursuant to any program hereafter authorized by the Congress, the President may, in his discretion, direct that not more than 25 percentum of the oil produced from such national petroleum reserves shall be placed in strategic storage facilities or exchanged for oil and gas products of equal value which shall be placed in such strategic storage facilities.

(e) The Secretary of the Interior is authorized to enter into contracts for the sale or exchange of oil and gas which is

produced from the national petroleum reserves and which is owned by the United States. Such contracts shall be issued by competitive bidding, shall be for periods of not more than one year, and shall be in amounts which will permit the attainment of the objectives for disposal and transportation set forth in subparagraph (a) of this section. Each bid offering shall be structured to include blocks small enough to permit small refiners to offer viable bids on the oil tendered. The United States shall not enter into any contract for the sale of oil and gas produced from the area known as Naval Petroleum Reserve Numbered 1 which shall result in any person, association, or corporation obtaining directly or indirectly, control over more than 20 percent of the oil and gas owned by the United States produced from that Reserve during any single year, except that such control may exceed 20 percent in order to insure maximum income to the United States. All proceeds from any such contract for the sale of oil and gas produced from areas designated as Naval Petroleum Reserves if they are included in National Petroleum Reserves shall be deposited in the Treasury of the United States.

(f) The Secretary of the Interior with the approval of the President, is hereby authorized and directed to explore for oil and gas on the area designated as Naval Petroleum Reserve Numbered 4 if it is included in a National Petroleum Reserve and he shall report annually to Congress on his plan for exploration of such reserve: Provided, That no development leading to production shall be undertaken unless authorized by Congress. He is authorized and directed to undertake a study of the feasibility

of delivery systems with respect to oil and gas which may be produced from such reserve.

(g) Any pipeline which carries oil or gas produced from the national petroleum reserves shall be operated and maintained as a common carrier and shall accept, convey, and transport without discrimination and at reasonable rates oil and gas produced from national petroleum reserves. The Secretary of the Interior shall provide in every contract for the sale or exchange of oil or gas produced from such reserves that the contracting party, if owner or operator of a controlling interest in any pipeline or any company operating the pipeline which carries oil or gas produced from the national petroleum reserves, shall at reasonable rates and without discrimination accept and convey the oil and gas which is produced from the reserves of the Government or of any citizen or company not the owner of any pipeline subject to the provisions of this section. The Secretary of the Interior shall have the power to make rules and regulations for the purpose of carrying out the provisions of this section and shall have the authority to declare forfeit any contract, operating agreement, right-of-way, permit or easement held by any person or entity violating such rules or regulations. This section shall not apply to any natural gas common carrier pipeline operated by any person subject to regulation under the Natural Gas Act or which is regulated by any public utility subject to regulation by a State or municipal regulatory agency having jurisdiction to regulate the rates and charges for the sale of natural gas to

consumers within the State or municipality.

(h) With respect to pipelines and related input and terminal facilities in the vicinity of any national petroleum reserve the Secretary of the Interior is authorized to obtain by purchase, including condemnation, such property interests as he may determine to be necessary to effectuate the transportation by purchasers or oil and gas from any national petroleum reserve to refinery points or points of interconnection with common carrier pipelines. The Secretary is further authorized to construct such pipelines and related input and terminal facilities as he determines to be necessary in order to effectuate disposals of oil and gas from national petroleum reserves in accordance with the objectives set forth in subparagraph (a) above.

SEC. 4 (a). There is hereby established in the Department of the Interior an Office of National Petroleum Reserves which shall have as its head a Director who shall be appointed by the President, by and with the advice and consent of the Senate. In carrying out the provisions of this Act, the Secretary shall delegate all functions and duties authorized by this Act to the Director. In addition to the Director, there shall be such other employees, as may be necessary, who shall be appointed by the Secretary subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and shall be paid in accordance with the provisions of chapter 51 and subchapter 3 of chapter 53 of such title relating to classification and general schedule pay rates.

(b) No person appointed to the Office of National Petroleum Reserves shall, during his term in office, be engaged in any business, nor have any financial interest in any business entity, which is engaged in the exploration, development, production, transportation or sale of oil or gas. Before accepting employment with the Office of National Petroleum Reserves, each employee must agree, for a period of two years after termination of employment, not to accept employment with, or receive any benefit, financial or otherwise, from any business entity which is engaged in the exploration, development, production, transportation or sale of oil or gas.

cf. 8475

A forum—ideas, analysis, diverse opinion

Harris Survey

Public makes big shift, supports oil decontrol

By Louis Harris

THE PUBLIC'S support for deregulation of all oil produced in the United States has now risen to a decisive 54 to 22 per cent majority, a rise from a 46 to 31 per cent plurality in April, according to the latest Harris Survey.

The new support represents a turnaround from the 42 to 28 per cent plurality who opposed deregulation only a year ago. The survey, conducted in July among a cross-section of 1,497 adults nationwide, shows that an identical 54 to 22 per cent majority also supports complete deregulation of natural gas produced in this country.

These latest results represent a victory for President Ford who has long advocated decontrol of the prices of domestic oil and natural gas. Ford believes deregulation would provide an incentive for domestic production of more basic energy and would reduce American dependence on foreign energy sources.

WITH MAJORITY support for his program, the President not only could

achieve deregulation, but receive credit for sticking to his position in the face of heavy congressional opposition.

Earlier this month, the Harris respondents were asked: "Would you favor or oppose deregulation of the price of all oil produced in the United States if this would encourage development of oil production here at home?"

	Favor	Oppose	Not sure
July, 1975	54	22	24
April	46	31	23
July, 1974	28	42	30

Nearly 2 in every 10 people openly admitted to the Harris Survey that they had changed their minds on the energy decontrol issue. When asked why they had switched their position, three major reasons were cited:

1. "Deregulation will result in more domestic production and eventually bring prices down," said nearly a third of those who changed their minds. A Denver truckdriver said, "Under price controls, we've been producing less and less oil here in the U. S. By letting the price go up, we'll get more production and that will finally bring the price down. Same thing as happened with meat."

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RED TAG

September 11, 1975

MEMORANDUM FOR: JACK MARSH
MAX FRIEDERSDORF

THROUGH: VERN LOEW

FROM: CHARLES LEPPERT, JR.

SUBJECT: Status Report on H. R. 49, The Elk
Hills Legislation

H. R. 49 (S. 2173) is now pending on the Speaker's desk awaiting action by the House. Rep. John Melcher has been talking to the Speaker regarding the appointment of House Conferees. The Speaker is insisting that at least one of the Conferees should be from the House Armed Services Committee. Melcher does not want a Conferee from the House Armed Services Committee because the House passed the House Interior Committee Bill (H. R. 49) and not the House Armed Services Committee Bill (H. R. 5919).

Unofficially, the Senate will probably appoint six (6) Conferees, three (3) from the Senate Interior Committee and three (3) from the Senate Armed Services Committee, if the House goes ahead and appoints Conferees.

Melcher will want the upper hand in the Conference Committee if he agrees to go to Conference. It is anticipated that if Melcher cannot get his bill out of Conference then the Conference Committee will not reach agreement on this legislation.

A copy of my August 6 status report is attached for background information.

Attachment

CL:agcb



THE WHITE HOUSE

WASHINGTON

August 6, 1975

MEMORANDUM FOR: JACK MARSH

FROM: CHARLES LEPPERT, JR. *CLJ*

SUBJECT: Status of Naval Petroleum Reserves
Legislation (Elk Hills)

The House of Representatives on July 8, 1975 passed by a vote of 391-20, H. R. 49, authorizing the Secretary of the Interior to establish on certain public lands of the United States national petroleum reserves for development and regulation consistent with the total energy needs of the nation. H. R. 49 was reported by the House Committee on Interior and Insular Affairs.

On the same day, the House, by a vote of 102-305 rejected H. R. 5919, as a substitute for H. R. 49. H. R. 5919 was the bill reported by the House Committee on Armed Services and supported by the Administration.

Also on July 8, the Senate passed by a vote of 91-0, S. 677 which authorized the creation and maintenance of strategic reserves of crude oil and petroleum products to insulate the nation against future interruption of oil imports. Creation of a similar reserve system was requested by the Administration in the omnibus energy bill sent to the Congress in February 1975. S. 677 was reported by the Senate Interior and Insular Affairs Committee.

During the Senate debate on S. 677, Senator Howard Cannon, Chairman of the Senate Armed Services Subcommittee dealing with naval petroleum reserves agreed to consider a bill permitting some production from the naval petroleum reserves for use in creating a national strategic reserve. Thereafter, the Senate passed S. 2173.

The Senate on July 29, by a vote of 93-2 passed S. 2173 authorizing the creation of a national strategic petroleum reserve and providing for limited production from naval petroleum reserves. The Senate then took up H. R. 49, struck everything after the enacting clause and substituted the provisions of S. 2173 as passed by the Senate. S. 2173 was reported by the Senate Committee on Armed Services.



S. 2173, as amended and passed by the Senate has been sent to the House of Representatives. S. 2173 is now pending at the desk before the Speaker of the House awaiting action of the House. As of August 1, 1975, the House had taken no action on S. 2173. The House may disagree and ask for a conference and appoint Conferees, amend S. 2173 and return it to the Senate or refer S. 2173 to a Committee of the House.

The chief differences between H. R. 49, as passed by the House and S. 2173, as passed by the Senate are as follows:

- H. R. 49 provides for unlimited production from naval petroleum reserves and transferred jurisdiction to the Department of Interior from Defense.
- S. 2173 sets a maximum efficient rate of production from each reserve of 350,000 barrels per day for a period of five (5) years and retains jurisdiction of the naval petroleum reserves in the Department of Defense.

cc:Bill Kendall

September 11, 1975

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VERN LOEN

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cc:Bill Kendall



RED TAG

THE WHITE HOUSE

WASHINGTON

September 11, 1975 .

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MAX FRIEDERSDORF

THROUGH: VERN LOEN

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cc:Bill Kendall



RED TAG

THE WHITE HOUSE

WASHINGTON

March 1, 1976

MEMORANDUM FOR: MAX L. FRIEDERSDORF
THRU: VERN LOEN
FROM: CHARLES LEPPERT, JR.
SUBJECT: H. R. 49, Naval Petroleum Reserves

Attached is a copy of H. R. 49, the Naval Petroleum Reserves Production Act of 1976, indicating the remaining issues to be decided by the Conferees.

It is anticipated that the remaining issues can be decided in one more meeting of the conferees which at this time is not scheduled but is expected to take place this week.

Attachment

cc: Jack Marsh



RED TAG

March 5, 1976

MEMORANDUM FOR:

JIM MITCHELL

THRU:

MAX L. FRIEDERSDORF
VERN LOEN

FROM:

CHARLES LEPPERT, JR.

SUBJECT:

HR 3981, Coastal Zone Management Act Amendments
HR 6218, Outer Continental Shelf Lands Act Amendments
HR 49 , Naval Petroleum Reserves Production Act

Attached per your request are copies of the above mentioned legislation.

HR 3981, the Coastal Zone Management Act Amendments of 1975, as reported by the House Merchant Marine and Fisheries Committee is scheduled for consideration by the House of Representatives on Wednesday, March 10, 1976. As you are aware the impact aid provisions of this bill are important.

HR 6218, (Committee Print No. 2) the Outer Continental Shelf Lands Act Amendments of 1976, is before the Ad Hoc Select Committee on Outer Continental Shelf for mark-up. The mark-up has begun and they have completed marking-up the first fifteen pages of HR 6218, Committee Print No. 2 as the original text.

Rep. Fish (R-NY) has introduced a substitute to HR 6218. This substitute is also attached along with section by section analyses of both bills and comparisons of both bills.

If possible, maybe Secretary Richardson can meet with Rep. Fish and get him to withdraw his present substitute and introduce another substitute containing the Administration impact aid provisions. It's worth a try and then try to get a conference on this bill if it has the Administration impact aid provisions and the Coastal Zone Management bills from the House and Senate. If Secretary Richardson does meet with Rep. Fish then Rep. Forsythe (NJ) should also be invited to that meeting.

Also attached is the unofficial print of the Naval Petroleum Reserves bill as reported by the Conference Committee on Thursday, March 4. It is anticipated that this conference report will come before the House of Representatives late the week of March 8 or the following week.



THE WHITE HOUSE
WASHINGTON

March 29, 1976

MEMORANDUM FOR: ~~Tom Loeffler~~
Nancy
~~Vera~~

FROM: Charlie Leppert

H. R. 49 (Elk Hills legislation) Conference

Report was taken off the program for the

House today because Mr. Melcher and

Mr. Abdnor were not in town.

(Herbert)

Kathy -
Talk to me about this
Note



APRIL 5, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

SIGNING OF THE NAVAL PETROLEUM RESERVES
PRODUCTION ACT OF 1976 (H.R. 49)

The President today signed the Naval Petroleum Reserves Production Act of 1976 which:

- . Authorizes production of petroleum from Reserves 1, 2 and 3, located in Elk Hills, California; Buena Vista, California; and Teapot Dome, Wyoming.
- . Transfers Jurisdiction of Reserve Number 4 in Alaska from the Secretary of the Navy to the Secretary of the Interior effective June 1, 1977 and redesignates it as a National Petroleum Reserve.
- . Calls upon the President to submit to Congress a proposed development plan and appropriate legislation to authorize development and production from the Alaskan Reserve.

The President also urged the Congress to pass the 17 major energy proposals which are still awaiting action.

BACKGROUND

- . Legislation authorizing production from the Naval Petroleum Reserves was one of thirteen proposals submitted to the Congress by the President in January 1975 as a part of his Energy Independence Act.
- . During the past year, the President has proposed additional energy legislation, including bills concerned with uranium enrichment, financing energy facilities, energy resource development impact assistance and Alaskan natural gas. (Eighteen proposals awaiting action were identified in the President's February 26, 1976, Energy Message.)
- . Four of the original thirteen proposals were included in the Energy Policy and Conservation Act which the President signed on December 22, 1975. The Naval Petroleum Reserve legislation is the fifth proposal now in law.

PRINCIPAL PROVISIONS OF THE NEW ACT

The principal provisions of the Naval Petroleum Reserves Production Act are outlined below. Under the previous law, all of the NPR's were under the jurisdiction of the Secretary of the Navy and were held in reserve for use only in times of national emergency.

- . National Petroleum Reserve in Alaska
 - NPR-4 is redesignated as a "national" petroleum reserve and is transferred effective June 1, 1977, to the Secretary of the Interior who shall assume all administrative responsibilities formerly held by the Secretary of the Navy.

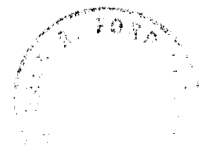
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- Interior shall continue Navy's exploration activities and report annually to the Congress on further exploration plans.
- The President is called upon to submit to the Congress no later than January 1, 1980, a plan for the development of the Alaskan Reserve, appropriate legislation, and economic and environmental impact assessments. Development plans are to be prepared in consultation with the State of Alaska and appropriate Federal agencies.
- . Naval Petroleum Reserves 1, 2 and 3.
 - The Secretary of the Navy is directed to begin producing within 90 days NPR's 1, 2 and 3 at their maximum efficient rate consistent with sound engineering practices for a period of 6 years.
 - Production can be continued for additional increments of 3 years if the President certifies that such production is in the national interest and neither House of Congress disapproves the action within 90 days.
 - The Secretary of the Navy is directed to provide storage and transportation facilities for NPR-1, within three years of enactment, to accommodate production of not less than 350,000 barrels of oil per day.
 - Sales of the U.S. share of oil (about 80%) shall be made at public auction to the highest bidder for periods not to exceed one year. Up to 25% is set aside for sale to small refiners at prevailing market prices.
 - The Secretary of the Navy must consult with the Attorney General on matters which may affect competition and may not sign a contract inconsistent with anti-trust laws.
 - The President may direct all or part of the U.S. share to be placed in the Strategic Petroleum Reserve directly or through exchange agreements. The Strategic Reserve was authorized by the Energy Policy and Conservation Act (December 22, 1975).
 - Proceeds from the sale of NPR production shall be credited to a Naval Petroleum Reserve Special Account which, subject to the appropriations process, shall be made available for:
 - . Exploration, development and production of NPR's 1, 2 and 3, and for exploration and study in regard to the National Petroleum Reserve in Alaska.
 - . Facilities incident to production and delivery of petroleum.
 - . Petroleum and facilities for the Strategic Petroleum Reserve.

IMPACT OF THE BILL

- . NPR-1 at Elk Hills has proven resources of approximately 1.25 billion barrels of oil -- one of the largest petroleum fields in the U.S. Fully developed, it could produce oil at the rate of 200,000 to 300,000 barrels per day. Current

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production is about 2,000 to 3,000 barrels a day, principally from production to offset private production in adjoining fields and for testing and maintenance purposes.

- . NPR-2 at Buena Vista is currently in full production, allowing a U.S. share of about 600 barrels per day.
- . NPR-3 at Teapot Dome has reserves of 42.5 million barrels and could produce at the rate of 21,000 barrels per day.
- . NPR-4 in Alaska has only 100 million barrels of proven reserves, but estimates of potential reserves run as high as 30 billion barrels.

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Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

In my first State of the Union Message more than a year ago, I set forth goals for regaining energy independence for the United States. I also outlined a comprehensive and ambitious national program needed to achieve our energy goals. The first goal is to reduce our growing reliance on imported oil.

We have launched energy programs that are possible within existing authorities and I have asked the Congress for the additional legislative authority that we must have. My proposed Energy Independence Act of 1975 contained thirteen specific programs to encourage energy conservation and increase domestic energy production. More recently, I sent to the Congress proposals dealing with nuclear energy, investment in energy facilities, and other measures needed to achieve our goals.

One of the original thirteen proposals was especially important because it permitted immediate action to produce more oil here in the United States. There are only a very few steps like this that are possible. Generally, it takes three years or more to bring new oil production on line.

Actions to increase domestic oil productions are critical because oil imports have grown to the point where they now account for almost 40% of the petroleum we are using. We are even more dependent now than we were a little over two years ago when we experienced the disruption of an oil embargo.

I am, therefore, pleased to sign into law today the Naval Petroleum Reserves Production Act of 1976 which puts in place one more element of our program to reduce dependence on foreign oil.

The Naval Petroleum Reserves had special importance when they were established over 50 years ago to guarantee an adequate supply of oil for the U.S. Navy. Today, the Reserves have even greater importance to the whole Nation because they can help reduce our dependence on imported oil and help stem the outflow of American dollars and jobs.

This new Act directs the Secretary of the Navy to commence a vigorous production program from the three Naval Petroleum Reserves located in California and Wyoming. The Act also redesignates the fourth Naval Petroleum Reserve in Alaska as a National Petroleum Reserve and transfers the jurisdiction to the Department of the Interior in June 1977. Production from the Alaskan Reserve is not authorized at this time, but the Act specifically calls upon the President to submit a development plan and appropriate legislation to the Congress. Work has already begun on those measures.

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The new Act also makes it possible for production from the Naval Reserves to contribute directly to the creation of the Strategic Petroleum Reserve authorized in the Energy Policy and Conservation Act which I signed on December 22, 1975. Once established, the Strategic Reserve will provide both a deterrent to future embargoes and a significant means to offset the effects of any future supply interruption.

The Strategic Reserve will permit us to have needed petroleum much more readily available in the case of an emergency for our Armed Services and other critical national needs.

When in full production, the three Naval Petroleum Reserves in California and Wyoming will provide more than 300,000 barrels of oil per day. The development and production of Naval Petroleum Reserve Number One in Elk Hills, California, will make the biggest contribution.

The U.S. share of this production, about 80 percent, may be sold at auction and up to 25 percent of that amount could be set aside for sale to small refiners. At the President's discretion, all or part of the U.S. share may be used to build up the Strategic Petroleum Reserves. The Act authorizes use of revenues from the sale of petroleum for work on the Naval Petroleum Reserves, for the National Reserve in Alaska, and for the Strategic Petroleum Reserve.

This Act is an important step toward reversing our declining domestic oil production and it is another sign that we are making progress. Four of my original 13 proposals were included in the Energy Policy and Conservation Act which I signed into law on December 22, 1975.

The Congress still has before it 18 major energy proposals, including those remaining from the original 13 I submitted in January 1975 and others I have submitted since then. We need those measures to conserve energy and to increase domestic production. Congress must act on those measures so that we can achieve our national goals for energy independence.

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON SIGNING THE
NAVAL PETROLEUM RESERVES
PRODUCTION ACT

THE ROSE GARDEN

2:23 P.M. EST

Secretary Rumsfeld, Secretary Kleppe, Secretary Middendorf, Administrator Zarb, distinguished Members of the House and Senate:

Just over two years ago the Arab oil embargo taught the United States a lesson, that we should not be too dependent on other nations for our oil supplies. We learned all too well the high price of energy dependence, both in the terms of inflation and lost jobs.

Over a year ago, in my First State of the Union Message, I set forth goals for regaining our energy independence and a comprehensive program for achieving those goals. Shortly thereafter I submitted to the Congress my comprehensive energy independence plan, which contained specific programs to encourage conservation and increase domestic production.

One of my proposals called for development and production of our Naval Petroleum Reserve. This step is especially important because it is one action we can take to get an immediate increase in domestic oil production, thereby lessening our dependence on foreign oil.

Accordingly, today I sign into law the Naval Petroleum Reserves Production Act of 1976. This act directs the Secretary of the Navy to begin full-scale production from the two petroleum reserves in California, including Elk Hills, and one from Wyoming.

When in full production, these three reserves will provide more than 300,000 barrels of oil per day, which represents about 4 percent of what we now import daily from foreign suppliers.

The new act also makes it possible for production from the Naval reserves to contribute directly to the creation of strategic petroleum reserve authorized in the Energy Policy and Conservation Act, which I signed into law December 22, 1975.

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Once established, the strategic reserve will provide both a deterrent to future embargoes and a significant means to offset the effects of any future supply interruption. The strategic reserve will permit us to have needed petroleum much more readily available in case of emergency for our Armed Forces and other critical national needs.

The act also redesignates the Naval Reserve in Alaska as a Naval Petroleum Reserve to be managed by the Department of the Interior.

This act is a very important step toward reversing our declining domestic oil production, but other steps obviously must be taken.

Eighteen major energy proposals still await Congressional approval on Capitol Hill. I strongly urge the Congress to move ahead on these additional initiatives so that as we celebrate our 200th year of independence, we take an affirmative action toward achieving energy independence as well.

END (AT 2:26 P.M. EST)

